

**Comprehensive
Annual Financial Report
For the Fiscal Year Ended
June 30, 2012**

City of Lenoir, North Carolina

**Report
Prepared by
Finance Department
City of Lenoir, North Carolina**

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CITY MANAGER
W. LANE BAILEY

CITY OF LENOIR
NORTH CAROLINA

MAYOR
JOSEPH L. GIBBONS

CITY COUNCIL
T. H. PERDUE
M. F. PERRY
H. L. PRICE
T. J. ROHR
D. F. STEVENS
R. R. STILWELL
B. K. WILLIS

September 21, 2012

Honorable Mayor Joe Gibbons
Members of the Lenoir City Council
Citizens of the City of Lenoir
Lenoir, North Carolina

North Carolina State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to those requirements, we are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Lenoir for the fiscal year ended June 30, 2012.

The financial statements and supplemental schedules contained herein have been audited by Eric Bowman, a licensed certified public accountant, and his unqualified opinion is included in the Financial Section of this report. The report itself, however, is presented by the City, which is responsible for both the accuracy of the data and the completeness and fairness of the presentation including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been included.

The report is presented in four sections: Introductory, Financial, Statistical, and Compliance. The Introductory Section, which is unaudited, includes this transmittal letter, list of principal officials, the City's organizational chart, and the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. The Financial Section includes the independent auditor's report, management's discussion and analysis, the basic financial statements, notes to the financial statements, other supplementary information, and various fund schedules. The Statistical Section, which is unaudited, contains selected fiscal, economic, and demographic data designed to provide a more complete understanding of the City. Several tables in this section present data for the past ten years. Finally, the Compliance

Section presents reports and schedules required by the federal and state Single Audit Acts, which are discussed in a later paragraph.

The independent audit of the financial statements of the City of Lenoir was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Compliance section of this report.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Lenoir's MD&A can be found immediately following the report of the independent auditor in the Financial Section of this report.

The financial reporting entity includes all the funds of the primary government (City of Lenoir), as well as its component unit. Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are reported in a separate column in the basic financial statements to emphasize that they are legally separate from the primary government and to distinguish their financial positions and results of operations from those of the primary government. The City of Lenoir ABC Board and Lenoir Tourism Development Authority are reported as a discretely presented component unit.

City of Lenoir Profile

Located in the foothills of the Blue Ridge Mountains, the City of Lenoir is the county seat of Caldwell County. Incorporated in 1851 and named in honor of Revolutionary War hero, General William Lenoir, the City has become an industrial center of northwestern North Carolina, as well as being the hub of commercial and government activity in the county. Lenoir is the largest incorporated area in the County and serves a population of 18,261. All the major cultural, medical, governmental and financial activities of the County are located in the City. Lenoir enjoys a temperate climate with a mild four-season year. We are located within an hour's drive to the northwest to enjoy ski slopes and the Blue Ridge Parkway, and a five-hour drive to the southeast to enjoy the white beach sands of the Atlantic Ocean.

The City is empowered by State statute to extend its corporate limits by annexation. It engages in continual review of areas of potential future annexation by petition and statute. The last major annexation of the City was in 2001 when it annexed approximately 850 parcels of land into its corporate limits.

The City has a council/manager form of government. The mayor is elected to a four-year term and the seven members of the council are elected to staggered four-year terms. Council members hold policy-making and legislative authority. They are also responsible for adopting the budget and appointing the City Manager. The manager is responsible for implementing policies, managing daily operations, and appointing department heads.

The City provides a full range of services. These services include police and fire protection, solid waste collection, street maintenance, public improvements, planning and zoning, community and economic development, recreational activities, cemeteries and grounds-keeping, water treatment and distribution, and wastewater collection and treatment. In addition to general governmental activities, the City has a Municipal Service Taxing District in the downtown area. The District is operated and devoted to development within the taxing district. As the City of Lenoir governing body exercises oversight of the District, this activity is included in the reporting entity. The report includes all the City's activities in maintaining these services.

The City also extends financial support to certain agencies and authorities to assist their efforts in serving citizens. Among these are the Western Piedmont Council of Governments and the Foothills Regional Airport Authority.

The annual budget serves as the foundation for the City of Lenoir's financial planning and control. The City's budget is adopted by ordinance in accordance with the General Statutes of North Carolina, which requires estimated revenues and expenditures to be balanced. The budget includes only expenditures expected during the fiscal year. The budget is adopted on a modified accrual basis. All expected operating funds are included in the Budget Ordinance and are expended in accordance with the adopted ordinance. The fiscal year budget, by State Statute, begins July 1 and ends June 30.

North Carolina General Statutes also provide for capital projects and special revenue grants to be adopted for the life of the project and/or grant. The City of Lenoir has several such projects included in this report. These include the Fairview Street bridge, downtown streetscape, the greenway, the Fit Community project, HOME and CDBG projects, and several public safety grants.

The appropriated budget is prepared by fund (e.g. general), function (e.g. public safety), and department (e.g. finance). Department heads may request the City Manager, acting as Budget Officer, make transfers of appropriations within a department. Transfers of appropriations between departments can be approved by the City Manager. Actual-to-budget comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented as part of the basic financial statements for the governmental funds. For other activities with appropriated annual budgets, this comparison is presented in the Combining and Individual Fund Financial Statement section of this report. Also included in this section are project-length actual-to-budget comparisons for which a project-length budget has been adopted.

Economic condition and outlook

Small business growth in Lenoir has been impacted by national economic trends as evidenced by fewer business start-ups during fiscal year 2011-2012. The number of new jobs in the downtown area showed a slight decrease due to the loss of several jobs resulting from the closure of various retail stores. Private investment in building renovations continued but at a lower rate than in previous years.

Major initiatives

Unemployment in the region and the turmoil in the national economy contributed to an increase in vacant retail space in Lenoir during fiscal year 2011-2012. The 308,141 square feet of vacant retail space includes the relocation and consolidation of two furniture and home furnishing businesses which are typically among the hardest hit during a recession. Private investment in the downtown revitalization area was less than the previous year. Vacant and underutilized industrial and manufacturing space continues to be a challenge for Lenoir.

To continue the city's on-going efforts in the revitalization of downtown, the streetscape project continued during this fiscal year. The re-working of overhead utilities to underground, plantings, new sculpture, the updating of the Harper Avenue sidewalks and new uptown activities have created a more pleasant environment for downtown business.

The City continues to construct additional segments to our greenway. We now have approximately 10.0 miles of paved greenway within the corporate limits. The project is a partnership involving the N.C. Department of Transportation, the City of Lenoir, and Caldwell County Pathways Committee.

Financial information

Management of the City is responsible for establishing and maintaining an internal control structure designed to protect the assets of the City from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be received and (2) the evaluation of costs and benefits requires estimates and judgments by management.

Single audit – As a recipient of Federal and State financial assistance, the City also is responsible for maintaining an adequate internal control structure to ensure compliance with applicable laws and regulations related to those programs. The results of the City's single audit for the fiscal year ended June 30, 2012, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations relative to grant administration.

Other information

Independent audit – N. C. General Statutes require an annual independent financial audit of all local government units in the State. Eric Bowman, CPA, has audited the financial records of the City and his opinion has been included in this report. His audit was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as he considered necessary in the circumstances. His unqualified opinion indicates that the accompanying basic financial statements for the fiscal year ended June 30, 2012 have been prepared in conformity with generally accepted accounting principles. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the federal Single audit Act of 1984 and related OMB Circular A-133.

The auditor's reports related specifically to the single audit are included in the Compliance Section.

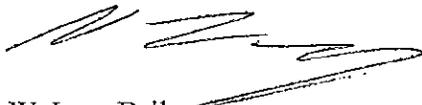
Awards – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lenoir for its comprehensive annual financial report for the year ended June 30, 2011. This was the fourteenth consecutive year that the City of Lenoir has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements – We recognize that responsibility for the contents of this report is the City's but it would be inappropriate not to mention the invaluable assistance of the staff in the Morganton, North Carolina, office of our independent auditor, Eric Bowman. Assistance and cooperation was also provided by the City's various departments and is appreciated by the City Manager and Finance Director. "Thank you" is extended to you, the Mayor and Lenoir City Council, for your continued support.

As required by N. C. General Statute 159.34, a copy of this report will be filed with the Secretary of the North Carolina Local Government Commission. In addition, a copy will be sent to the City Clerk to be available for public inspection.

Sincerely,

CITY OF LENOIR



W. Lane Bailey
City Manager



Danny Gilbert
Assistant City Manager/Finance Director

City of Lenoir, North Carolina

**List of Principal Officials
June 30, 2012**

Elected Officials

**Mayor
Mayor Pro Tempore
City Council**

Joe L. Gibbons
T. J. Rohr
Ron Stilwell
Merlin F. Perry
H. Lewis Price
David F. Stevens
Todd H. Perdue
Ben Willis

Appointed Official

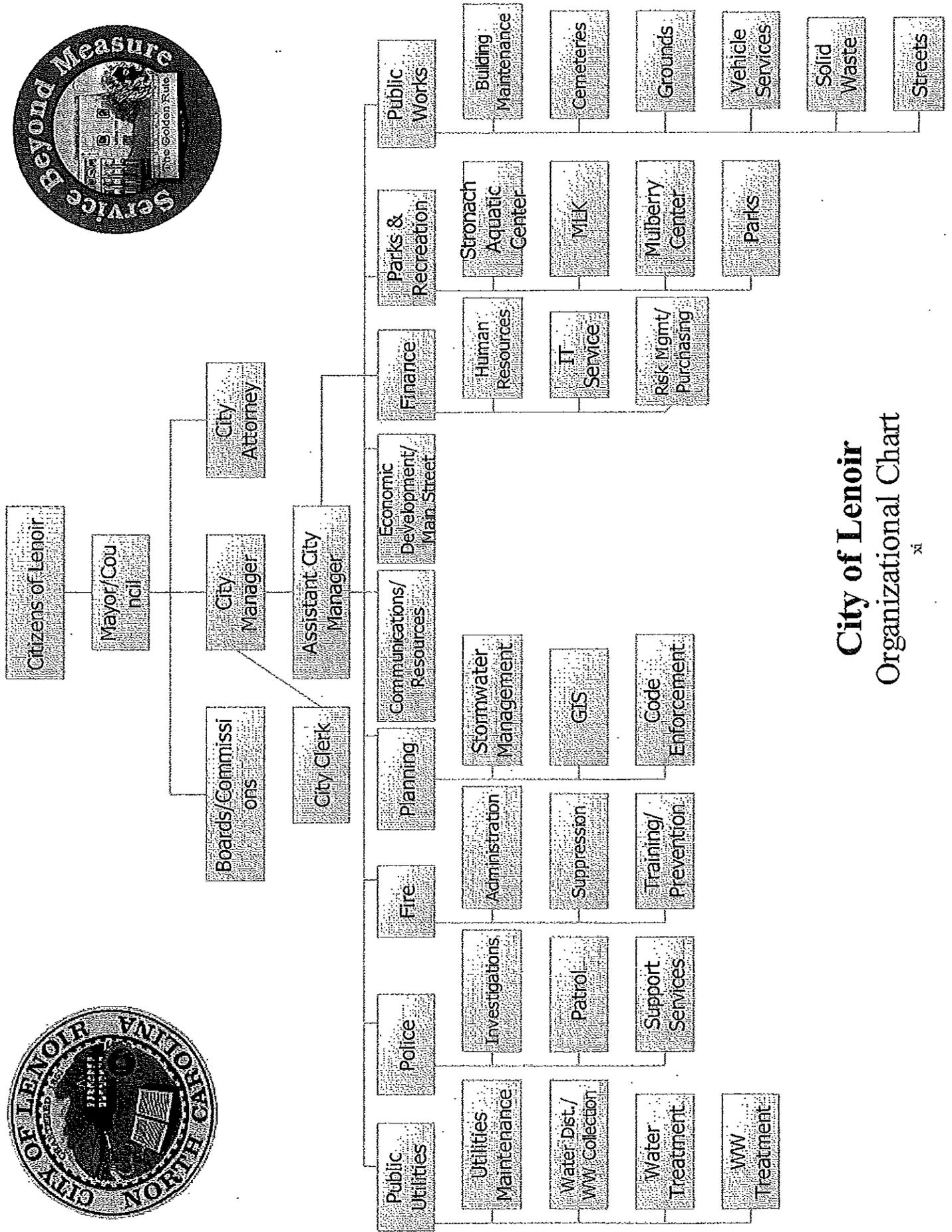
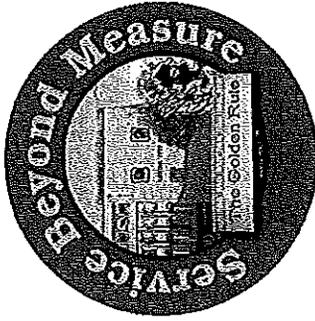
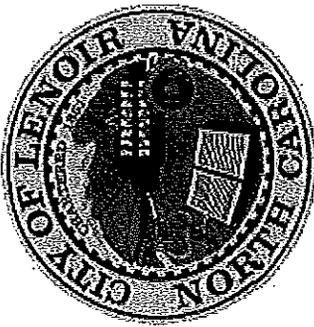
City Manager

W. Lane Bailey

Department/Division Heads

**Planning Director
Public Works Director
City Attorney
Fire Chief
Public Utilities Director
Police Chief
Economic Development Director
Recreation Director
Assistant City Manager/Finance Director
Communications Director**

Charles A. Beatty
Charles K. Beck
Edward H. Blair, Jr.
Kenneth M. Briscoe
Radford Thomas
Scott Brown
Nick Dula
Robert S. Winkler
Danny A. Gilbert
P. Kaye Reynolds



City of Lenoir Organizational Chart

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lenoir
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davison

President

Jeffrey R. Egan

Executive Director

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

403 South Green Street
P.O. Box 1476
Morganton, NC 28680-1476
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Independent Auditor's Report

To the Honorable Mayor
and Members of the City Council of the
City of Lenoir, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lenoir, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lenoir's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of the City of Lenoir ABC Board. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Lenoir ABC Board, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of City of Lenoir ABC Board were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

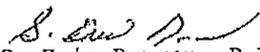
In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lenoir, North Carolina as of June 30, 2012, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 24, 2012 on our consideration of City of Lenoir's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of the report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance and Other Post Employment Benefits (OPEB) Schedule of Funding Progress and Schedule of Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Lenoir. The introductory section, combining and individual fund financial statements, budgetary schedules, other schedules and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, and is also not a required part of the financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of

expenditures of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.


S. Eric Bowman, P.A.
Certified Public Accountant

Morganton, North Carolina
August 24, 2012

City of Lenoir, North Carolina

Management's Discussion and Analysis For the Year ended June 30, 2012

As management of the City of Lenoir, we offer readers of the City of Lenoir's financial statements this narrative overview and analysis of the financial activities of the City of Lenoir for the fiscal year ended June 30, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

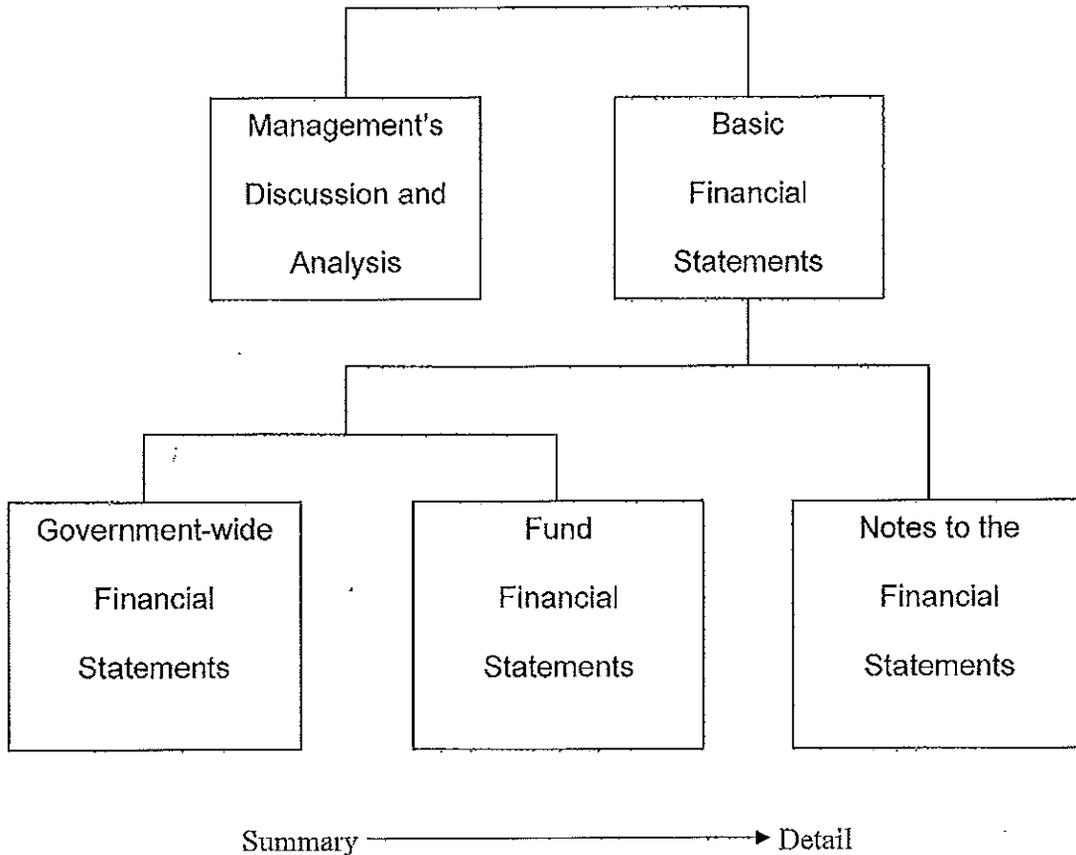
- The assets of the City of Lenoir exceeded its liabilities at the close of the fiscal year by \$63,955,175 (*net assets*).
- The government's total net assets increased by \$106,388 with a \$972,866 decrease in governmental activities and a \$1,079,254 increase in business-type activities.
- As of the close of the current fiscal year, the City of Lenoir's governmental funds reported combined ending fund balances of \$5,320,604 a decrease of \$243,324 in comparison with the prior year. Approximately 61.42 percent of this total amount or \$3,267,840 is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,028,662 or 18.75 percent of total general fund expenditures for the fiscal year.
- The City of Lenoir's total debt decreased by \$2,368,169 or 12.54 percent during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to City of Lenoir's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Lenoir.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (Exhibits C through I) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statement; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2012

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities and 3) component units. The governmental activities include most of the City's basic services such as public safety, transportation, environmental protection, economic and physical development, cultural and recreational, and general administration. Property taxes, state and federal grants, and state-shared revenues finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer services offered by the City of Lenoir. The final category is the component units. Although legally separate from the City, the ABC Board and LTDA Board are important to the City because the City exercises control over the Boards by appointing its members. The ABC Board is also required to distribute a portion of its profits to the City.

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lenoir, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Lenoir can be divided into two categories: governmental funds and proprietary funds.

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2012

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on

how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Lenoir adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the City Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the statement of revenues, expenditures and changes in fund balance. The statement shows four columns: 1) the original budget as adopted by the Council; 2) the final budget as amended by the Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – City of Lenoir has only one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Lenoir uses an enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 28 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Lenoir's progress in funding its obligation to provide pension benefits to its

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2012

employees. Required supplementary information can be found beginning on page 60 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Lenoir, assets exceeded liabilities by \$63,955,172 as of June 30, 2012 (figure 2).

The City of Lenoir's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 5,916,236	\$ 6,311,351	\$ 3,917,058	\$ 4,189,057	\$ 9,833,294	\$ 10,500,408
Capital Assets	26,893,831	27,940,905	45,883,335	4,294,424	72,777,166	32,235,329
Total Assets	\$ 32,810,067	\$ 34,252,256	\$ 49,800,393	\$ 8,483,481	\$ 82,610,460	\$ 42,735,737
Long-Term Liabilities	\$ 3,360,824	\$ 3,874,695	\$ 14,519,076	\$ 16,337,786	\$ 17,879,900	\$ 20,212,481
Other Liabilities	328,656	284,109	446,732	423,134	775,388	707,243
Total Liabilities	\$ 3,689,480	\$ 4,158,804	\$ 14,965,808	\$ 16,760,920	\$ 18,655,288	\$ 20,919,724
Net Assets:						
Invested in capital assets, net of related debt	\$ 24,742,318	\$ 24,687,510	\$ 31,523,163	\$ 30,152,606	\$ 56,265,481	\$ 54,840,116
Restricted	2,062,764	2,068,699			2,062,764	2,068,699
Unrestricted	2,325,505	3,337,244	3,311,422	3,602,725	5,636,927	6,939,969
Total Net Assets	\$ 29,120,587	\$ 30,093,453	\$ 34,834,585	\$ 33,755,331	\$ 63,955,172	\$ 63,848,784

Figure 2

The largest portion of the City of Lenoir's net assets (87.2 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, etc.), less any related outstanding debt used to acquire those assets. The City of Lenoir uses those assets to provide services to its citizens which make those assets not available for future spending. Although the City of Lenoir's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City of Lenoir's net assets (2.55%) represents resources that are subject to external restrictions on how they may be used or that are not spendable. The remaining balance of unrestricted net assets (\$6,061,287) may be used to meet the government's ongoing obligations to citizens and creditors. The increase in net

City of Lenoir, North Carolina

Management's Discussion and Analysis

For the Year ended June 30, 2012

assets is due mainly to the completion of the Raw Water Intake at the Rhodhiss Water Plant.

Several particular aspects of the City's financial operations influenced the total unassigned net assets:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 94.39
- Adherence to the adopted budget

Governmental activities: Governmental activities decreased the City's net assets by \$972,866. (Figure 3) Key elements of this decrease are as follows:

- Depreciation of capital assets

City of Lenoir Changes in Net Assets

Figure 3

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 2,117,724	\$ 1,872,686	\$ 7,575,832	\$ 7,241,793	\$ 9,693,556	\$ 9,114,479
Operating grants and contributions	2,871,333	2,006,622	-	-	2,871,333	2,006,622
Capital grants and contributions	202,102	868,037	500,000	1,374,704	702,102	2,242,741
General revenues:						
Property taxes	6,824,494	7,370,866	-	-	6,824,494	7,370,866
Other taxes	3,840,310	3,762,006	-	-	3,840,310	3,762,006
Unrestricted intergovernmental	1,538,309	1,524,091	-	-	1,538,309	1,524,091
Other	330,576	447,371	52,733	48,677	383,309	496,048
Total revenues	17,724,848	17,851,679	8,128,565	8,665,174	25,853,413	26,516,853
Expenses:						
General government	3,195,538	2,521,169	-	-	3,195,538	2,521,169
Public safety	8,215,430	8,609,721	-	-	8,215,430	8,609,721
Transportation	2,097,876	2,131,705	-	-	2,097,876	2,131,705
Environmental protection	703,246	829,299	-	-	703,246	829,299
Economic and physical development	2,197,798	1,683,790	-	-	2,197,798	1,683,790
Culture and recreational	2,196,855	2,051,873	-	-	2,196,855	2,051,873
Interest and fees	90,971	106,965	-	-	90,971	106,965
Water and sewer			7,049,311	6,748,649	7,049,311	6,748,649
Total expenses	18,697,714	17,934,522	7,049,311	6,748,649	25,747,025	24,683,171
Increase in net assets	(972,866)	(82,843)	1,079,254	1,916,525	106,388	1,833,682
Net assets, July 1	30,093,453	30,196,705	33,755,331	31,838,806	63,848,784	62,035,511
Prior Period Adjustment		(20,409)			-	(20,409)
Net assets, June 30	\$ 29,120,587	\$ 30,093,453	\$ 34,834,585	\$ 33,755,331	\$ 63,955,172	\$ 63,848,784

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2012

Figure 4 is a graphic presentation of functional expenses with related program revenues and grants

City of Lenoir
Expenses and Program Revenues and Operating Grants -- Governmental Activities
Figure 4

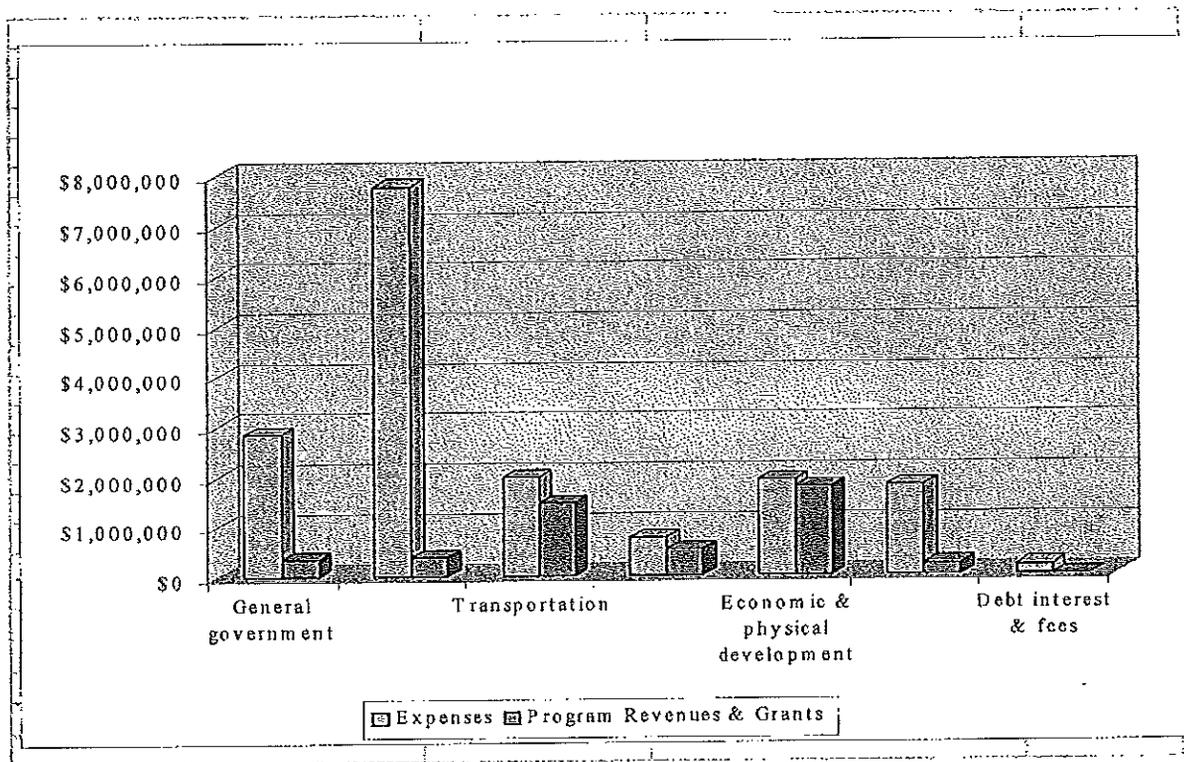
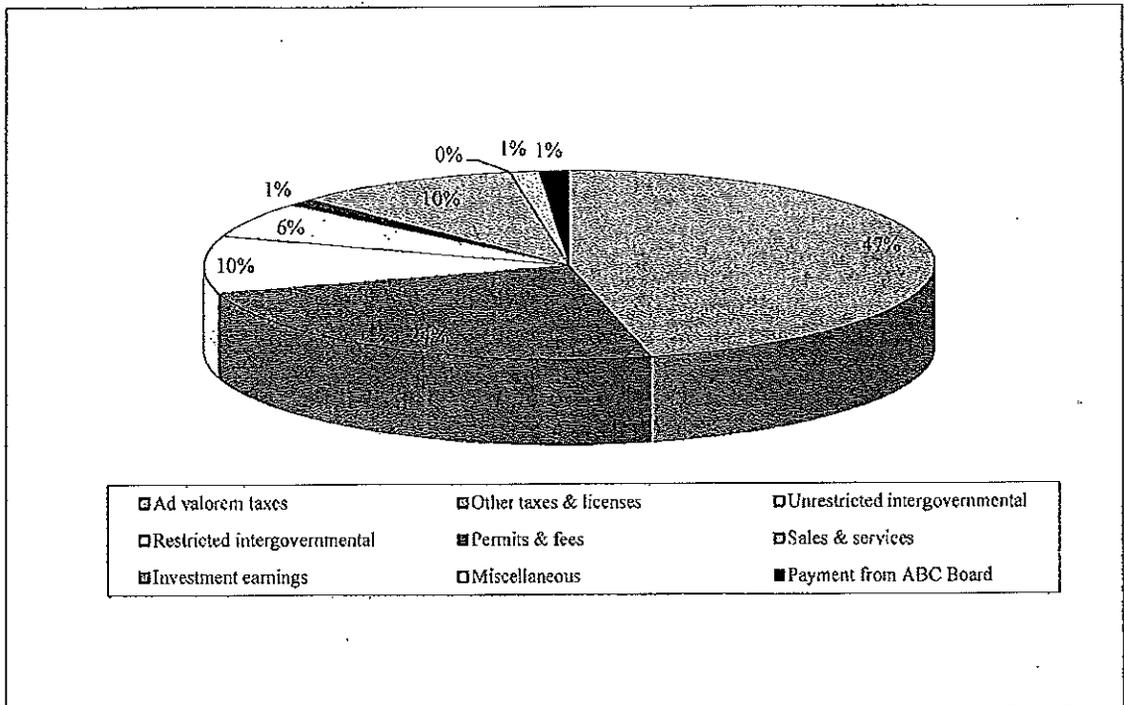


Figure 5 is a graphic presentation of governmental revenues by source.

Revenue by Source – Governmental Activities
Figure 5



Business-type activities: Business-type activities increased the City of Lenoir's net assets by \$1,079,254. Key elements of this increase are as follows:

- Completion of the Raw Water Intake

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2012

Financial Analysis of the City's Funds

As noted earlier, the City of Lenoir uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Lenoir's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Lenoir's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Lenoir. At the end of the current fiscal year, available fund balance of the General Fund was \$3,584,626, while total fund balance reached \$5,382,209. As a measure of the general fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 22.20 percent of total General Fund expenditures, while total fund balance represents 33.33 percent of that same amount. The increase in unassigned fund balance is due mainly to the required amount for the Stabilization for State Statue decreased.

At June 30, 2012, the governmental funds of City of Lenoir reported a combined fund balance of \$5,320,604 a 4.38 percent decrease over last year. Included in this change in fund balance are decreases in the General Fund and, Special Revenue Fund; with an increase in the Capital Projects Fund.

General Fund Budgetary Highlights Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

During the fiscal year, the City found it necessary to revise the General Fund budget. These amendments are summarized as follows:

General Government, Transportation, and Environmental Protection were increased by \$903,322, while Public Safety, Economic & Physical Development, and Cultural & Recreation decreased by \$223,322. The resulting \$680,000 increase was funded by a combination of increased revenues, financing package and appropriated fund balance. The increase in budget was for economic development grants, lease buyout and street repairs.

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2012

Proprietary Funds. The City of Lenoir's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unassigned net assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$3,311,422. The fund's net assets increased by \$1,079,254. The factors concerning the finances of this fund have already been addressed in the discussion of the City of Lenoir's business-type activities.

Capital Asset and Debt Administration

Capital assets. The City of Lenoir's investment in capital assets for its governmental and business-type activities as of June 30, 2012, totals \$72,777,166 (net of accumulated depreciation). (Figure 6) These assets include buildings, infrastructure, land, equipment, plant and systems, and vehicles.

Major capital asset transactions during the year include the following additions:

- Major bridge construction

City of Lenoir's Capital Assets

Figure 6

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 3,124,711	\$ 3,124,711	\$ 239,714	\$ 239,714	\$ 3,364,425	\$ 3,364,425
Buildings and improvements	7,885,810	7,384,226	-	-	7,885,810	7,384,226
Infrastructure	12,816,469	13,397,418	-	-	12,816,469	13,397,418
Equipment	2,772,405	3,305,885	3,607,922	3,794,352	6,380,327	7,100,237
Plant and systems			42,035,699	36,648,913	42,035,699	36,648,913
Construction in progress	294,436	728,665	-	5,644,204	294,436	6,372,869
Total	\$ 26,893,831	\$ 27,940,905	\$ 45,883,335	\$ 46,327,183	\$ 72,777,166	\$ 74,268,088

Additional information on the City's capital assets can be found in note III. A. 4 and 5, beginning on page 41 of this report.

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2012

Long-term Debt. As of June 30, 2012, the City of Lenoir had total debt outstanding of \$6,818,255 in a State and Water Pollution Control Revolving loans, \$420,000 in a Section 108 Loan and installment purchase contracts of \$9,264,431. (Figure 7)

**City of Lenoir's Outstanding Debt
Revolving Loans and Installment Purchases**

Figure 7

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Section 108 Loan	\$ 420,000	\$ 512,000			\$ 420,000	\$ 512,000
Revolving Loans	-	-	6,818,254	3,557,397	6,818,254	3,557,397
Construction Loan			-	3,644,914	-	3,644,914
Installment Purchase Contracts	1,731,513	2,193,276	7,541,918	8,972,267	9,273,431	11,165,543
Total	\$ 2,151,513	\$ 2,705,276	\$ 14,360,172	\$ 16,174,578	\$ 16,511,685	\$ 18,879,854

The above debt of the City of Lenoir decreased by \$2,368,169 (12.5%) during the past fiscal year.

As mentioned in the financial highlights section of this document, the City of Lenoir has an "A" rating from Standard & Poor's, dated March of 1999; an "A2" rating from Moody's Investors Services dated July of 1997; and an "81" council rating from the North Carolina Municipal Council, Inc., dated January of 1999.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries less statutory deductions for bonds applicable to water systems. The legal debt margin for City of Lenoir is \$101,711,597.

Additional information regarding the City of Lenoir's long-term debt can be found in note III. B. 5 beginning on page 53 of this report.

Economic Factors and Next Year's Budgets and Rates

While job losses and property values of industrial property continued to decline in the traditional manufacturing economy of the City, the past fiscal year provided indicators that groundwork is being laid for a transition into a more diversified economic base.

City of Lenoir, North Carolina

Management's Discussion and Analysis For the Year ended June 30, 2012

During fiscal year 2011-2012, the economic impact of the national recession was mirrored in the economic health of Lenoir. The double-digit unemployment rate for the Hickory-Lenoir-Morganton MSA, led to less disposable income for many Lenoir residents. Small job gains in micro business start-ups were counteracted by an equal number of job losses due to business closures. Private investment dollars, especially in downtown, declined from previous years as local banks were less likely to extend loans for building renovations or property acquisition.

To continue the city's on-going efforts in the revitalization of downtown, streetscape project was continued during the fiscal year. The re-working of the sidewalks on Harper Avenue and updating the quadrant next to County Courthouse has brought a new awareness of our pleasant environment for downtown business.

The City continues to construct additional segments to our greenway. We now have approximately 8.0 miles of paved greenway within the corporate limits. The project is a partnership involving the N.C. Department of Transportation, the City of Lenoir, and Caldwell County Pathways Committee.

Residential growth currently taking place on the northern and western portions of Caldwell County is particularly encouraging for the future development of retail and service businesses within the City.

Budget Highlights for the Fiscal Year Ending June 30, 2013

Governmental Activities: In light of the continuing local economic pressures the City of Lenoir adopted an austere budget for the fiscal year beginning July 1, 2012. The General Fund budget was based on less than 1.01 percent increase in total revenues and expenditures from the prior year. No new general governmental fees were added.

Business-Type Activities: Again in light of economic pressures, the City of Lenoir, in the last 3 to 4 years has seen water consumption drop with a resulting lowering of water and sewer revenue. The Water and Sewer Fund budget was adopted with a 2.34 percent increase in expenditures funded with a slight rate increase.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, City of Lenoir, P.O. Box 958, Lenoir, N.C. 28645.

Basic Financial Statements

City of Lenoir, North Carolina
Statement of Net Assets
June 30, 2012
(Exhibit A)

	Component Units					Total Reporting Unit
	Governmental Activities	Business Type Activities	Total Primary Government	City of Lenoir	City of Lenoir	
				ABC Board	LTDA	
Assets						
Cash and cash equivalents	\$ 4,239,989	\$ 3,194,607	\$ 7,434,596	\$ 184,636	\$ 61,190	\$ 7,680,422
Cash and cash equivalents - restricted	254,376	121,445	375,821			375,821
Taxes receivable (net)	266,976		266,976			266,976
Accounts receivable (net)	624,350	537,624	1,161,974		5,032	1,167,006
Other receivables	495,902		495,902			495,902
Inventories		63,382	63,382	225,306		288,688
Prepaid items	34,643		34,643	2,049		36,692
Capital assets:						
Nondepreciable Capital Assets	3,419,147	239,714	3,658,861			3,658,861
Depreciable Capital Assets	23,474,684	45,643,621	69,118,305	522,785		69,641,090
Total assets	32,810,067	49,800,393	82,610,460	934,776	66,222	83,611,458
Liabilities						
Accounts payable	327,066	325,287	652,353	100,580	8,058	760,991
Accrued liabilities				80,687		80,687
Compensated Absences	517,705	111,390	629,095			629,095
Pension Obligation	343,168		343,168			343,168
Post Employment benefits	348,438	47,514	395,952			395,952
Customer deposits		121,445	121,445			121,445
Unearned revenues	1,590		1,590			1,590
Long term obligations:						
Due in less than one year	625,925	2,056,321	2,682,246			2,682,246
Due in more than one year	1,525,588	12,303,851	13,829,439			13,829,439
Total liabilities	3,689,480	14,965,808	18,655,288	181,267	8,058	18,844,613
Net assets						
Invested in capital assets, net of related debt	24,742,318	31,523,163	56,265,481	522,785		56,788,266
Non Spendable						
Cemetery (Nonexpendable)	255,181		255,181			255,181
Prepaid items	34,643		34,643			34,643
Restricted						
Stabilization by State Statute	1,427,098		1,427,098	86,248	5,032	1,518,378
Federal Forfeiture	38,138		38,138			38,138
Public Safety	297,704		297,704			297,704
Assigned						
Land Development	555,694		555,694			555,694
Unassigned	1,769,811	3,311,422	5,081,233	144,476	53,132	5,278,841
Total net assets	\$ 29,120,587	\$ 34,834,585	\$ 63,955,172	\$ 755,509	\$ 58,164	\$ 64,766,845

City of Lenoir, North Carolina
Statement of Activities
Year Ended June 30, 2012
(Exhibit B)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	City of Lenoir ABC Board	City of Lenoir LTDA	Total Reporting Unit	
										City of Lenoir ABC Board	City of Lenoir LTDA
Primary government activities:											
Governmental activities:											
General government	\$ 3,195,538	\$ 1,059,899	\$ 376,049	\$ 3,166	\$ (1,759,590)	\$ (1,759,590)	\$ (1,759,590)			\$ (1,759,590)	
Public safety	\$ 2,154,430	180,689	194,043	3,166	(7,837,532)	(7,837,532)	(7,837,532)			(7,837,532)	
Transportation	2,097,876	29,707	560,254	144,665	(1,363,250)	(1,363,250)	(1,363,250)			(1,363,250)	
Environmental protection	703,246	629,383			(73,863)	(73,863)	(73,863)			(73,863)	
Economic and physical development	2,197,798	4,831	1,740,987	54,271	(451,960)	(451,960)	(451,960)		(61,567)	(513,527)	
Culture and recreation	2,194,855	212,195			(1,930,389)	(1,930,389)	(1,930,389)			(1,930,389)	
Interest and fees	90,971				(90,971)	(90,971)	(90,971)			(90,971)	
Total governmental activities	18,697,714	2,116,724	2,871,333	202,102	(13,507,555)	(13,507,555)	(13,507,555)		(61,567)	(13,569,122)	
Business-type activities:											
Water and sewer activity	7,049,311	7,575,832		500,000		1,026,521	1,026,521			1,026,521	
Total business-type activities	7,049,311	7,575,832	-	500,000	-	1,026,521	1,026,521			1,026,521	
Total primary government	\$ 25,747,025	\$ 9,692,556	\$ 2,871,333	\$ 702,102	(13,507,555)	1,026,521	(12,481,034)			(12,542,601)	
Alcohol and store activity	\$ 2,612,521	\$ 2,863,645						265,397		265,397	
Total component units	\$ 2,612,521	\$ 2,863,645	\$ -	\$ -	\$ -	\$ -	\$ -	265,397	(61,567)	265,397	
General revenues:											
Ad valorem taxes					6,824,494		6,824,494			6,824,494	
Sales taxes					3,550,539		3,550,539			3,550,539	
Privilege license					218,235		218,235			218,235	
Motor Vehicle Tags					68,938		68,938			68,938	
Gross Receipts on Rental Vehicles					2,598		2,598			2,598	
Occupancy Taxes									61,058	61,058	
Franchise Taxes					1,460,189		1,460,189			1,460,189	
Beer and Wine Taxes					79,120		79,120			79,120	
Miscellaneous					86,751		86,751			86,751	
Gain on sale of capital assets					16,794		16,794			16,794	
Payment from ABC Board					219,868		219,868			219,868	
Profit distributions								(255,227)		(255,227)	
Interest earned on investments					7,163	3,059	10,222	910		11,132	
Total general revenues					12,534,689	52,733	12,587,422	(234,193)	61,038	12,394,287	
Change in net assets					(972,866)	1,079,254	106,388		(509)	117,083	
Net assets - beginning					30,093,453	33,755,531	63,848,784		742,305	58,673	64,649,762
Net assets - ending					\$ 29,120,587	\$ 34,834,585	\$ 63,955,172		\$ 753,509	\$ 58,164	\$ 64,766,845

City of Lenoir, North Carolina

Balance Sheet
Governmental Funds
June 30, 2012
(Exhibit C)

	General	Special Revenue Fund	Non Major Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 4,239,989	\$ -	\$ -	\$ 4,239,989
Cash and cash equivalents-restricted			254,376	254,376
Taxes receivable (net)	266,976			266,976
Accounts receivable (net)	624,350			624,350
Other receivables	400,805	92	95,005	495,902
Prepaid items	34,643			34,643
Due From Other Funds	401,943			401,943
Total assets	<u>\$ 5,968,706</u>	<u>\$ 92</u>	<u>\$ 349,381</u>	<u>\$ 6,318,179</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	317,931	9,135		327,066
Due to other funds		86,407	315,536	401,943
Deferred revenues	268,566			268,566
Total liabilities	<u>586,497</u>	<u>95,542</u>	<u>315,536</u>	<u>997,575</u>
Fund balances:				
Non Spendable				
Prepaid Items	34,643			34,643
Cemetery Care			255,181	255,181
Restricted				
Stabilization by State Statute	1,427,098			1,427,098
Federal Forfeiture	38,138			38,138
Public Safety	297,704			297,704
Assigned				
Land Development	555,964			555,964
Unassigned	3,028,662	(95,450)	(221,336)	2,711,876
Total fund balances	<u>5,382,209</u>	<u>(95,450)</u>	<u>33,845</u>	<u>5,320,604</u>
Total liabilities and fund balances	<u>\$ 5,968,706</u>	<u>\$ 92</u>	<u>\$ 349,381</u>	<u>\$ 6,318,179</u>

City of Lenoir, North Carolina

Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets

June 30, 2012

(Exhibit C-1)

Amounts reported for governmental activities in the statement of net assets are different because:

Ending fund balance - governmental funds	\$	5,320,604
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		26,893,831
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		266,976
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(3,360,824)</u>
Net assets of governmental activities	\$	<u>29,120,587</u>

City of Lenoir, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2012
 (Exhibit D)

	General	Special Revenue Fund	Non Major Governmental Funds	Total Governmental Funds
Revenues				
Ad valorem taxes	\$ 7,020,833			\$ 7,020,833
Other taxes and licenses	3,840,310			3,840,310
Unrestricted intergovernmental revenues	1,539,309			1,539,309
Restricted intergovernmental revenues	1,222,218	1,857,990	144,665	3,224,873
Permits and fees	196,548			196,548
Sales and services	1,669,626			1,669,626
Investment earnings	5,527	8	1,628	7,163
Miscellaneous	79,801		6,950	86,751
Payment from ABC Board	219,868			219,868
Total revenues	15,794,040	1,857,998	153,243	17,805,281
Expenditures				
Current:				
General Government	3,001,812			3,001,812
Public safety	7,793,545	8,674		7,802,219
Transportation	1,364,885			1,364,885
Environmental protection	775,384			775,384
Economic and physical development	516,392	1,671,245		2,187,637
Cultural and recreational	1,816,307	207,323		2,023,630
Capital projects			265,098	265,098
Debt service:				
Principal retirement	816,763	92,000		908,763
Interest and fees	67,404	23,567		90,971
Total expenditures	16,152,492	2,002,809	265,098	18,420,399
Excess (deficiency) of revenues over (under) expenditures	(358,452)	(144,811)	(111,855)	(615,118)
Other financing sources (uses)				
Issuance of installment purchase debt	355,000			355,000
Proceeds from disposal of capital assets	16,794			16,794
Transfers:	(179,866)	59,866	120,000	
Total other financing sources (uses)	191,928	59,866	120,000	371,794
Net change in fund balances	(166,524)	(84,945)	8,145	(243,324)
Fund balance - beginning	5,548,733	(10,505)	25,700	5,563,928
Fund balance - ending	\$ 5,382,209	\$ (95,450)	\$ 33,845	\$ 5,320,604

City of Lenoir, North Carolina

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities

For the Year Ended June 30, 2012

(Exhibit D-1)

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	(243,324)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay is less than depreciation.		(1,047,074)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(196,339)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		553,763
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>(39,892)</u>
Change in net assets of governmental activities	\$	<u>(972,866)</u>

City of Lenoir, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - General Fund
 For the Year Ended June 30, 2012
 (Exhibit E)

	Original Budget	Final Budget	Actual	Variance With Final Positive Negative
REVENUES				
Ad valorem taxes	\$ 7,181,446	\$ 7,181,446	\$ 7,020,833	\$ (160,613)
Other taxes and licenses	3,842,447	3,842,447	3,840,310	(2,137)
Unrestricted intergovernmental revenues	1,483,430	1,483,430	1,539,309	55,879
Restricted intergovernmental revenues	904,813	904,813	1,222,218	317,405
Permits and fees	231,000	231,000	196,548	(34,452)
Sales and services	1,616,334	1,716,334	1,669,626	(46,708)
Investment earnings	42,200	42,200	5,527	(36,673)
Miscellaneous	109,900	284,900	79,801	(205,099)
Payment from ABC Board	207,500	207,500	219,868	12,368
Total revenues	<u>15,619,070</u>	<u>15,894,070</u>	<u>15,794,040</u>	<u>(100,030)</u>
EXPENDITURES				
Current:				
General Government	2,313,421	3,014,743	3,001,812	12,931
Public safety	7,885,326	7,816,825	7,793,545	23,280
Transportation	1,242,937	1,369,937	1,364,885	5,052
Environmental protection	700,198	775,198	775,384	(186)
Economic and physical development	525,259	524,258	516,392	7,866
Cultural and recreational	1,971,624	1,817,804	1,816,307	1,497
Debt service:				
Principal retirement	815,806	815,806	816,763	(957)
Interest and fees	69,499	69,499	67,404	2,095
Total expenditures	<u>15,524,070</u>	<u>16,204,070</u>	<u>16,152,492</u>	<u>51,578</u>
Excess (deficiency) of revenues over (under) expenditures	<u>95,000</u>	<u>(310,000)</u>	<u>(358,452)</u>	<u>(48,452)</u>
OTHER FINANCING SOURCES (USES)				
Appropriated fund balance		50,000		(50,000)
Proceeds from disposal of capital assets	25,000	25,000	16,794	(8,206)
Proceeds from installment purchase		355,000	355,000	-
Transfers out:				
To Special Revenue Fund			(59,866)	(59,866)
To Capital Projects	(120,000)	(120,000)	(120,000)	-
Total other financing sources (uses)	<u>(95,000)</u>	<u>310,000</u>	<u>191,928</u>	<u>(118,072)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(166,524)</u>	<u>\$ (166,524)</u>
FUND BALANCE - BEGINNING			<u>5,548,733</u>	
FUND BALANCE - ENDING			<u>\$ 5,382,209</u>	

City of Lenoir, North Carolina

Statement of Net Assets

Proprietary Funds

June 30, 2012

(Exhibit F)

	<u>Enterprise Fund</u>
	Water and Sewer Fund
	<u>Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 3,194,607
Accounts receivable (net)	537,624
Inventories	63,382
Restricted Cash and cash equivalents	121,445
Total current assets	<u>3,917,058</u>
Noncurrent assets	
Capital assets, net	45,883,335
Total noncurrent assets	<u>45,883,335</u>
Total assets	<u>49,800,393</u>
Liabilities	
Current liabilities	
Accounts payable	325,287
Installment purchase contracts - current	1,481,829
Revolving loan payable - current	574,492
Customer deposits	121,445
Compensated absences payable	72,000
Total current liabilities	<u>2,575,053</u>
Noncurrent liabilities	
Revolving loan payable	6,243,762
Installment purchase contracts payable	6,060,089
OPEB Liability	47,514
Compensated absences payable	39,390
Total noncurrent liabilities	<u>12,390,755</u>
Total liabilities	<u>14,965,808</u>
Net assets	
Invested in capital assets, net of related debt	31,523,163
Unrestricted net assets	3,311,422
Total net assets	<u>\$ 34,834,585</u>

City of Lenoir, North Carolina

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds

Year Ended June 30, 2012

(Exhibit G)

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
Operating revenues	
Water sales	\$ 4,939,165
Wastewater treatment charges	2,380,919
Water and sewer taps	27,130
Late payment charges	228,618
Miscellaenous	49,674
Total operating revenues	<u>7,625,506</u>
Operating expenses	
Rhodhiss Water Treatment Plant	1,287,374
Water distribution	1,307,854
Water resources	442,126
Wastewater collection	690,365
Wastewater pretreatment	188,344
Gunpowder Wastewater Treatment Plant	479,131
Lower Creek Wastewater Treatment Plant	1,120,341
Depreciation	1,119,345
Total operating expenses	<u>6,634,880</u>
Operating income (loss)	<u>990,626</u>
Nonoperating revenue (expense)	
Interest earned on investments	3,059
Interest paid on long-term debt	(414,431)
Total nonoperating revenue (expense)	<u>(411,372)</u>
Income (loss) before transfers and contributions	579,254
Capital contributions	500,000
Change in net assets	<u>1,079,254</u>
Total net assets - beginning, as previously reported	<u>33,755,331</u>
Total net assets - ending	<u>\$ 34,834,585</u>

City of Lenoir, North Carolina

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2012

(Exhibit H)

	<u>Enterprise Fund</u> <u>Water</u> <u>and Sewer</u> <u>Fund</u>
Operating activities	
Cash received from customers and users	\$ 7,589,520
Cash paid to suppliers for goods and services	(3,061,800)
Cash paid for employee benefits	(2,430,794)
Customer deposits returned	9,075
Net cash provided by (used in) operating activities	<u>2,106,001</u>
Capital and related financing activities	
Net proceeds from financing	(3,644,914)
Capital contributions	500,000
Acquisition and construction of capital assets	(675,496)
Principal paid on debt	1,830,508
Interest paid on debt	(414,431)
Net cash provided (used) by capital and related financing activities	<u>(2,404,333)</u>
Investing activities	
Interest on investments	3,059
Net cash provided (used) in investing activities	<u>3,059</u>
Net increase in cash and cash equivalents/investments	<u>(295,273)</u>
Cash and cash equivalents/investments	
Beginning of year	<u>3,611,325</u>
End of year	<u>\$ 3,316,052</u>

City of Lenoir, North Carolina

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2012

(Exhibit H)

	<u>Enterprise Fund</u> <u>Water</u> <u>and Sewer</u> <u>Fund</u>
Reconciliation of operating income (loss)	
to net cash provided by	
(used in) operating activities	
Operating income (loss)	\$ 990,626
Adjustments to reconcile operating income (loss)	
to net cash provided by (used in) operating	
activities:	
Depreciation	1,119,345
Change in assets and liabilities	
(Increase) decrease in accounts receivable and accruals	(35,986)
(Increase) decrease in inventory	12,722
Increase (decrease) in accounts payable and	
accrued liabilities	(5,477)
Increase (decrease) in customer deposits	9,075
Increase (decrease) in compensated absence payable	(6,638)
Increase (decrease) in OPEB	22,334
Total adjustments	<u>1,115,375</u>
Net cash provided by (used in) operating activities	<u>\$ 2,106,001</u>

City of Lenoir, North Carolina

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2012

(Exhibit I)

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 11,108
Total assets	<u>\$ 11,108</u>
Liabilities	
Due to agency	\$ 11,108
Total liabilities	<u>\$ 11,108</u>

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS

The accounting policies of the City of Lenoir and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity - The City of Lenoir (City) is a municipal corporation of the State of North Carolina. It is governed by an elected board of eight consisting of a mayor and a seven-member council. These financial statements present the City and its component unit, a legally-separate entity for which the City is financially accountable. The discretely presented component unit below is reported in separate columns in the financial statements to emphasize that it is legally separate from the City.

City of Lenoir Board of Alcoholic Control

The members of the City of Lenoir Alcoholic Control's (ABC Board) governing board are appointed by the City. In addition, the ABC Board is required by State statute to distribute the majority of its surpluses to the General Fund of the City. A smaller portion of the ABC Board's surpluses are distributed to the Caldwell County School Administrative Unit. The ABC Board, which has a June 30 year end, is presented as a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at City of Lenoir ABC Board, ABC Court, Lenoir, NC 28645.

Lenoir Tourism Development Authority Board

The members of the Lenoir Tourism Development Authority's (LTDA Board) governing board are appointed by the City. The LTDA collects a 3% room occupancy tax from the rental of any room, lodging or accommodation furnished by a hotel, motel, inn, tourist camp, or similar place within the city. Complete financial statements for the LTDA board may be obtained City Hall, City of Lenoir, 801 West Ave., NW, Lenoir, NC 28645.

B. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2012

revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues. City of Lenoir's policy for eliminating internal activity in the government-wide statement of activities indicate that interfund services provided and used are not eliminated in the process of consolidation.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and state-shared revenues. The primary expenditures are for public safety, streets and highways, sanitation, parks and recreation, and general government services. The City also maintains a separate sub-fund for the Downtown Service District for accounting purposes. This sub-fund has been consolidated into the General Fund for reporting purposes. Debt service payments for general long-term debt are accounted for in the General Fund.

Special Revenue Fund - The Special Revenue Fund accounts for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The City has ten Special Revenue Fund projects including the Governor's Highway Safety Grant, E-911; Federal Energy Grant; Fit

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2012

Community Grant; PARTF Grant, 2009, 2010 and 2011 Community Development Entitlement Grants; and 2009, 2010 and 2011 Unifour HOME Consortium Grants.

The City Reports the following nonmajor governmental funds:

Capital Project Fund

The Capital Project Fund accounts for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds and trust funds). The City has three projects within the Capital Project Fund: the Fairview Street Bridge, Downtown Streetscape, and Greenway.

Permanent Fund

The Permanent Fund accounts for the Perpetual Care Fund. The interest earned on the nonexpendable invested principal is used for the ongoing maintenance of the City's cemetery.

The City reports the following major enterprise fund:

Water and Sewer Fund - The Water and Sewer Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Water and sewer capital projects are included in the Water and Sewer Capital Project Fund.

The City reports the following fund type:

Agency Fund - Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the City holds on behalf of others. The City maintains the following agency fund: CheckFree Pay which accounts for collection of payments of AT&T and Piedmont Natural Gas customers and flex spending. We excluded these activities from the City's government-wide financial statement because the city cannot use these assets to finance its operation.

C. Measurement Focus and Basis of Accounting - In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2012

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. The City's one fiduciary fund (an agency fund) has no measurement focus and is excluded from the government-wide financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied. *Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Caldwell County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Lenoir and its special downtown district known as Main Street Lenoir. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Caldwell County from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes, which were billed during this period, are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes collected and held by the State at year-end on behalf of the city are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues, which are unearned at year-end, are recorded as unearned revenues.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2012

available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its governmental activities, business-type activities and proprietary operations.

D. Budgetary Data - As required by the N. C. Local Government Budget and Fiscal Control Act (G.S. 159), the governing board must adopt by July 1 an annual balanced budget ordinance for all governmental and proprietary funds except for those funds, which operate under project ordinances. The City has adopted project ordinances for the Capital Projects and Special Revenue Funds. The annual budget is prepared on the modified accrual basis of accounting to be compatible with the accounting system in recording transactions, as required by G.S. 159-26(c).

Appropriations are made at the departmental level and are amended as necessary by the governing board. All appropriations (other than funds with multi-year budgets) lapse at year-end. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for project ordinances. The City Manager is authorized to transfer appropriations within a department; however, any revisions that alter total expenditures of any department must be approved by the governing board. The amended budget ordinance as of June 30, 2011, is included in the financial statements but has been restructured to conform to the actual data. The City's governing board enacted supplemental budget ordinances during the fiscal year ended June 30, 2011. The ordinances increased appropriations by \$680,000 in the City's General Fund and \$0 in the City's Water and Sewer Fund.

As required by G.S. 159-26(d), the City maintains encumbrance accounts, which are considered to be "budgetary accounts". Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in process at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities and are either charged to an appropriation in the following year or the contractual commitment is cancelled.

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments - All deposits of the City, LTDA and the ABC Board are made in board-designated official depositories and are collateralized as required by G.S. 159-31. Official depositories may be established with any bank or savings and loan whose principal office is located in North Carolina. Also, the City, LTDA and ABC Board may establish time deposit accounts in the form of NOW accounts, SuperNOW,

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2012

money market accounts, and certificates of deposit. State law, G.S. 159-30(c) authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT); a SEC-registered mutual fund.

The City, LTDA and the ABC Board's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

In accordance with State law, the City has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are stated at cost in the City's financial statements.

2. Cash and Cash Equivalents - The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The City, LTDA and the ABC Board consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

2a. Restricted Assets -- Permanent Fund restricted cash of \$254,376 represents the nonexpendable portion of the cemetery funds. Customer deposits of \$121,445 are also shown as restricted cash.

3. Ad Valorem Taxes Receivable - According to the North Carolina General Statutes, ad valorem taxes levied on July 1, the beginning of the fiscal year, are due September 1 but penalties do not accrue until the following January 6 when taxes are considered past due and the property is subject to lien. The taxes levied are based on the assessed values as of January 1, 2011. As allowed by State law, the City has established a schedule of discounts that apply to taxes, which are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

4. Allowances for Doubtful Accounts - All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2012

5. Inventories - Inventories of the City and ABC Board are maintained for all enterprise fund supplies. They are valued at the lower of cost (first-in, first-out) or market.

6. Capital Assets – Capital assets are defined by the City as assets with an initial individual cost of more than \$1,000. The City and the ABC Board’s capital assets are recorded at historical cost when purchased or fair market value at the time of donation. Certain items acquired in earlier years are recorded at estimated historical cost. General infrastructure assets acquired prior to July 1, 2002, consist of the road, bridges and drainage networks that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical costs. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

The City's capital assets are being depreciated on a straight-line basis over their estimated useful lives as follows:

Asset Class	Estimated Useful Lives
Infrastructure	15 - 50
Buildings	45 - 50
Plant and systems	45 - 50
Improvements	15 - 20
Vehicles	6 - 8
Furniture and equipment	10 - 15
Computer equipment	5 - 10

Capital assets of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

Asset Class	Estimated Useful Lives
Land, improvements and buildings	8 - 40
Store equipment	2 - 20
Office equipment	5 - 10

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2012

7. Long-Term Obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable, if any, are reported net of the applicable bond premiums or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Compensated Absences - The vacation policies of the City and the ABC Board provide for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a last-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

Both the City and the ABC Board's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the City nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

9. Net Assets/Fund Balance – Net assets in the government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

State law [G.S. 159-13(b)] restricts appropriation of fund balance or fund equity to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as these amounts stand at the close of the fiscal year preceding the budget year.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2012

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance -- This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Prepaid Items -- Portion of fund balance that is not an available resource because it represents services rendered for the subsequent years, which are not spendable resources.

Perpetual Maintenance -- Cemetery resources that are required to be retained in perpetuity for maintenance of the City of Lenoir Cemeteries.

Restricted Fund Balance -- This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute - Represents the amount of revenue recognized, but not available for appropriation. This amount is usually comprised of receivables, not offset by deferred revenues, and due from other funds.

Restricted for Federal Forfeiture - Portion of fund balance that is available for appropriation but legally segregated for qualifying law enforcement expenditures.

Restricted for Public Safety -- Portion of fund balance that is available for appropriation but legally segregated for qualifying public safety expenditures.

Assigned Fund Balance -- Portion of fund balance that City of Lenoir intends to use for specific purposes.

Assigned for Land Development -- Portion of fund balance set aside for land development.

Unassigned Fund Balance - Portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

For purposes of fund balance classifications, funds are to be spent from restricted fund balance first followed by committed fund balance, assigned fund balance and last unassigned fund balance.

F. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2012

disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

G. Reconciliation of Government-Wide and Fund Financial Statements

- 1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets** – The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$23,799,983 consists of several elements as follows:

Description	Amount
Capital assets in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement governmental activities column)	\$ 71,787,674
Less accumulated depreciation	<u>(44,893,843)</u>
Net capital assets	26,893,831
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not government-wide	266,976
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Leases and installment financing	(2,151,513)
Compensated absences	(517,705)
Pension obligation	<u>(691,606)</u>
Total adjustment	<u>\$ 23,799,983</u>

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2012

- 2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities** – The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$(729,542) as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 761,597
Depreciation expense, the allocation of those assets over their useful lives, is recorded in the statement of activities, but not in the fund statements	(1,808,671)
New debt issued during the year is recorded as a source of funds in the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net assets	(355,000)
Principal payments on debt owed are recorded as a use of funds in the fund statements but again affect only the statement of net assets in the government-wide statements	908,763
Law Enforcement Separation Allowance expenses reported in the statement of activities do not require the use of current resources to pay and are not recorded as expenditures in the fund statements	(11,072)
OPEB expenses reported in the statement of activities do not require the use of current resources to pay and are not recorded as expenditures in the fund statements	(5,797)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(23,023)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Recording of tax receipts deferred in the fund statements	<u>(196,339)</u>
Total adjustment	<u>\$ (729,542)</u>

II. STEWARDSHIP, COMPLIANCE and ACCOUNTABILITY

A. **Excess of Expenditures over Appropriations** - For the year ended June 30, 2010, no expenditures exceeded budgeted amounts at the department level.

<u>Fund/Department</u>	<u>Excess</u>	<u>Fund/Department</u>	<u>Excess</u>
General Fund:		Enterprise Fund	
Administration	\$219	Rhodhiss Water Plant	\$47,214
Sanitation	186	Water Distribution	1,303
Transfer Out	<u>59,866</u>	Wastewater Pretreat	<u>5,363</u>
	\$60,271		\$53,980

These over-expenditures were immaterial and approved by the Board subsequent to year-end. The city annually files a corrective action plan. It is the city's intention to amend their budget on a more timely basis in the future.

B. The Special Revenue Fund and Capital Project Fund had fund balance deficit of \$95,450 and \$221,336 respectively. The General Fund will fund the deficit in future years.

III. DETAIL NOTES ON ALL FUNDS

A. Assets

1. **Deposits** - All of the City's, LTDA's and ABC Board's deposits are either insured or collateralized by using one of two options. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage are collateralized with securities held by the City's or ABC Board's agent in the units' name. Under the Pooling Method, a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agents in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, LTDA and the ABC Board, these deposits are considered to be held by the City's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits.

Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the unit or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City, LTDA or the ABC Board under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each Pooling Method depository. The City, LTDA and ABC Board have no policy regarding outstanding risk for deposits.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2012

At year-end, the City's deposits, including fiduciary funds, had a carrying amount of \$2,801,062 and a bank balance of \$3,080,670. Of the bank balance, \$1,000,000 was covered by federal depository insurance with the remainder held in Pooling Method depositories as discussed above.

At year-end, the ABC Board's deposits had a carrying amount of \$184,636 and a bank balance of \$206,258. The bank balance was covered by federal depository insurance.

At year-end, the LTDA's deposits had a carrying amount of \$61,190 and a bank balance of \$61,190. The bank balance was covered by federal depository insurance.

2. Investments - General Statute 159-30(c) authorizes the City and the ABC Board to invest in obligations of the U. S. Treasury; obligations of any agency of the United States of America, provided the payment of interest and principal of such obligation is fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and The North Carolina Capital Management Trust, an SEC-registered mutual fund. The City pools monies from several funds to facilitate disbursement and investment and maximize investment income. The City and ABC Board have no policy regarding credit risk for investments.

The City held no investments that were categorized by level or risk at year-end. All invested funds were with The North Carolina Capital Management Trust, which is exempt from risk categorization because the City does not own any identifiable securities, but is a shareholder of a percentage of the fund. As of June 30, 2012, the credit rating of the fund was AAAM by Standard and Poor's, with a weighted average maturity of 51 days. Total investments are as follows:

	Carrying Value	Fair Value
North Carolina Capital Management Trust	<u>\$ 5,018,478</u>	<u>\$ 5,018,478</u>

3. Receivables - Allowances for Doubtful Accounts - The amounts shown in the Balance Sheet and the Statement of Net Assets are net of the following allowances for doubtful accounts:

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2012

General Fund:	
Allowance for Uncollectible Property Taxes Receivable	\$ 676,384
Allowance for Miscellaneous General Fund Receivables	<u>27,035</u>
Subtotal	<u>703,419</u>
Water and Sewer Fund:	
Allowance for Uncollectible Water and Sewer Receivables	<u>200,000</u>
 Total	 <u><u>\$ 903,419</u></u>

4. General Capital Assets

The capital asset activity for the governmental activities as of June 30, 2012 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,124,711			\$ 3,124,711
Construction work in progress	728,665	361,072	(795,301)	294,436
Total capital assets not being depreciated	<u>3,853,376</u>	<u>361,072</u>	<u>(795,301)</u>	<u>3,419,147</u>
Capital assets being depreciated:				
Buildings and improvements	13,944,572	795,301		14,739,873
Infrastructure	43,122,548			43,122,548
Equipment	12,140,354	400,525	(226,102)	12,314,777
Total capital assets being depreciated	<u>69,207,474</u>	<u>1,195,826</u>	<u>(226,102)</u>	<u>70,177,198</u>
Less accumulated depreciation for:				
Buildings and improvements	6,560,346	293,717		6,854,063
Infrastructure	29,725,130	580,949		30,306,079
Equipment	8,834,469	934,005	(226,102)	9,542,372
Total accumulated depreciation	<u>45,119,945</u>	<u>\$ 1,808,671</u>	<u>\$ (226,102)</u>	<u>46,702,514</u>
Total capital assets being depreciated, net	<u>24,087,529</u>			<u>23,474,684</u>
Total capital assets - governmental activities	<u><u>\$ 27,940,905</u></u>			<u><u>\$ 26,893,831</u></u>

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2012

Depreciation was charged to functions/programs of the primary government as follows:

General Government	\$204,051
Public Safety	586,943
Transportation	734,431
Environmental Protection	87,862
Economic and Physical Development	10,161
Cultural and Recreational	<u>185,223</u>
Total Depreciation Expense	\$1,808,671

5. Business-Type Capital Assets

The capital asset activity for the business-type activities at June 30, 2012, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities (Water and Sewer Fund)				
Capital assets not being depreciated:				
Land	\$ 239,714			\$ 239,714
Construction work in progress	5,644,204	678,012	(6,322,216)	-
Total capital assets not being depreciated	<u>5,883,918</u>	<u>678,012</u>	<u>(6,322,216)</u>	<u>239,714</u>
Capital assets being depreciated:				
Plant and systems	54,894,166	6,319,701		61,213,867
Equipment	6,433,424			6,433,424
Total capital assets being depreciated	<u>61,327,590</u>	<u>6,319,701</u>	<u>-</u>	<u>67,647,291</u>
Less accumulated depreciation for:				
Plant and systems	18,245,253	932,915		19,178,168
Equipment	2,639,072	186,430		2,825,502
Total accumulated depreciation	<u>20,884,325</u>	<u>\$ 1,119,345</u>	<u>\$ -</u>	<u>22,003,670</u>
Total capital assets being depreciated, net	<u>40,443,265</u>			<u>45,643,621</u>
Total capital assets - business type activities (Water and Sewer Fund)	<u>\$ 46,327,183</u>			<u>\$ 45,883,335</u>

6. Construction Commitments – The City of Lenoir has no active construction projects as of June 30, 2012.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2012

7. Component Unit Capital Assets

The capital assets of the ABC Board at June 30, 2012, are composed of the following:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 155,849			\$ 155,849
Total capital assets not being depreciated	<u>155,849</u>	-	-	<u>155,849</u>
Capital assets being depreciated:				
Buildings and improvements	561,571	2,045		563,616
Store equipment	159,643	9,041		168,684
Office equipment	49,272			49,272
Total capital assets being depreciated	<u>739,496</u>	<u>11,086</u>	-	<u>781,572</u>
Less accumulated depreciation for:				
Buildings and improvements	263,271	15,546		278,817
Store equipment	89,132	18,915		108,047
Office equipment	23,920	3,851		27,771
Total accumulated depreciation	<u>319,249</u>	<u>\$ 38,312</u>	<u>\$ -</u>	<u>414,635</u>
Total capital assets being depreciated, net	<u>420,247</u>			<u>366,937</u>
Total capital assets	<u>\$ 576,096</u>			<u>\$ 522,786</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

1. Plan Description. The City of Lenoir contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G. S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699.

2. Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2012

determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 13.42% and 13.45%, respectively, of annual covered payroll. The contribution requirements of members and of the City of Lenoir are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2010, 2011, and 2012 were \$982,338, \$1,006,031 and \$1,164,712 respectively. The contributions made by the City equaled the required contributions for each year.

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description. The City of Lenoir administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2011, the Separation Allowance's membership consisted of:

Retirees currently receiving benefits	5
Terminated employees entitled to but not yet receiving benefits	0
Active plan members	<u>55</u>
Total	<u><u>60</u></u>

2. Summary of Significant Accounting Policies.

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay- as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2012

3. Contributions. The City is required by Article 12D of G. S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. The annual required contribution for the current year was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return, compounded annually, (net of administrative expenses) and (b) projected salary increases of from 4.25% to 7.85% per year of which 3.00% is assumed due to inflation and the balance to merit or seniority. The assumptions did not include post-retirement benefit increases. The City of Lenoir has chosen not to set aside funds to pay benefits and administration costs. These expenditures are paid as they come due.

4. Annual Pension Cost and Net Pension Obligation. The City's annual pension cost and net pension obligation to the Separation Allowance for the current year are as follows:

Annual required contribution	\$89,673
Interest on net pension obligation	16,605
Adjustment to annual required pension contribution	(19,811)
Annual pension cost	<u>\$86,467</u>
Employer Benefits Paid	<u>75,395</u>
Increase(decrease) in net pension obligation	\$11,072
Net pension obligation beginning of fiscal year	<u>332,096</u>
Net pension obligation end of year	<u><u>\$343,168</u></u>

The following schedule contains trend information for fiscal years ending June 30, 2010, 2011 and 2012.

	2010	2011	2012
Annual pension cost	\$ 79,384	\$ 89,088	\$ 86,467
Percentage of APC Contributed	141.64%	110.35%	87.20%
Net Pension Obligation	\$ 341,320	\$ 332,096	\$ 343,168

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2012

Additional information as of the latest actuarial valuation follows:

Valuation Date	12/31/2011	Actuarial Assumptions:	
Actuarial Cost Method	Projected Unit Credit	Investment Rate of Return	5.00%
Amortization Method	Level % of pay closed	Projected Salary Increase	4.25%-7.85%
Remaining Amortization	19 Years	Includes Inflation at	3.00%
Asset Valuation Method	Market Value	Cost of Living Adj.	N/A

Required supplementary information including a Schedule of Funding Progress and Schedule of Employer Contributions is presented in the Required Supplementary Information section immediately following these notes. A separate report is not issued.

c. Supplemental Retirement Income Plan for Law Enforcement

1. Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G. S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

2. Funding Policy. Article 12E of G. S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, City employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2012 were \$168,675, which consisted of \$99,908 from the City and \$68,767 from employees.

d. ABC Board - Local Government Employees' Retirement System

1. Plan Description. The City of Lenoir ABC Board contributes to the statewide Local Government Employees' Retirement System (LGERS), a cost sharing, multiple-employer, defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G. S. Chapter 128 assigns authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Government Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699.

2. Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The ABC Board is required to contribute at an actuarially

City of Lenoir, North Carolina
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For the Year Ended June 30, 2012

determined rate. The ABC Board's current rate for employees not engaged in law enforcement is 13.12% of annual covered payroll. The contribution requirements of members and the ABC Board are established and may be amended by the North Carolina General Assembly. The Board's contribution for the years ending June 30, 2010, 2011, and 2012 were \$26,451, \$23,443 and \$22,798 respectively. The contribution made or accrued by the ABC Board equaled the required contribution for the period.

e. Deferred Compensation Plan - The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by Public Employees Benefit Services Securities Corporation. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan assets are not reported in the City's financial statements.

f. Flexible Spending Plan - The City offers its employees a flexible spending plan created in accordance with Internal Revenue Code Section 125. Employees are able to have deducted from their salaries, pre-tax, a specified amount to be used for eligible medical and dependent care expenses. The plan assets are held for the employees and are reported in the City's financial statements in the governmental funds.

g. Post-retirement Health Care Benefits - The City has adopted policies governing postretirement health care benefits for retirees. The subsidies vary depending upon the years of service of the retiree. The City pays 50 percent of the health care premium for employees who retire with 30 or more years of service with the retiree paying 50 percent. The City pays 25 percent of the health care premium for employees who retire with 20 to 29 years of service with the retiree paying 75 percent. Employees who retire with at least 15 years of service are allowed to remain on the City's health policy and pay 100 percent of the premium. Retirees are allowed to have coverage for dependents and pay 100 percent of that premium. Additionally, at age 65 the retiree has the option to purchase a Medicare supplement from the City's health care benefit provider at his expense with the City ceasing to subsidize the premium. The City's regular health care benefit provider underwrites the retiree's policies.

As of June 30, 2012, there were eighteen employees who had retired with 30 years of service who were receiving the 50 percent-premium-coverage benefit and three employees who had retired with sufficient years of service to receive the 25 percent-premium-coverage benefits. The City finances the plan on a pay-as-you-go basis and for the fiscal year ended June 30, 2012, the City recognized \$83,539 of expenditures for retiree health benefits or 0.96% of annual payroll. The current ARC rate is 1.27% of annual covered payroll.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2012

Membership in the plan included the following at December 31, 2011, the date of the latest actuarial valuation:

	General <u>Employees</u>	Public Safety <u>Officers</u>
Retirees receiving benefits	8	16
Active plan members	<u>146</u>	<u>122</u>
Total	154	138

- 1. Summary of Significant Accounting Policies** – Post-employment expenditures are made from the City’s General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they become due.
- 2. Annual OPEB Cost and Net OPEB Obligation** - The City’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation for the healthcare benefits:

Annual Required Contribution	\$111,012
Interest on Net OPEB Obligation	14,713
Adjustment to Annual Required Contribution	14,055
	<hr/>
Annual OPEB Cost	111,670
Contributions Made	<u>(83,539)</u>
Increase in Net OPEB Obligation	28,131
Net OPEB Liability, July 1, 2011	<u>\$367,821</u>
Net OPEB Liability, June 30, 2012	<u>\$395,952</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2012

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Liability</u>
2012	\$111,670	74.8%	\$395,952
2011	\$209,836	40.76%	\$367,821
2010	\$79,417	125.16%	\$243,508
2009	\$164,091	55.63%	\$164,091

As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits, and thus, the unfunded actuarial accrued liability (UAAL) was \$1,126,070. The covered payroll (annual payroll of active employees covered by the plan) was \$8,754,716. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

3. Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 9.5 % to 5%. The UAAL is being amortized as a level dollar percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011 was 30 years. Assumed inflation rate of 3.00% was also used.

City of Lenoir, North Carolina
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The following schedule contains the required supplementary information including a Schedule of Funding Progress and Schedule of Employer Contributions. A separate report is not issued.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a:b)	Covered Payroll	UAAL as a % of Covered Payroll (b-a:c)
12/31/2008	\$0	\$1,717,145	\$1,717,145	0%	\$8,514,138	20.25%
12/31/2011	\$0	\$1,126,070	\$1,126,070	0%	\$8,754,716	12.9%

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2012	\$111,670	74.8%
2011	\$209,836	40.76%
2010	\$79,417	125.16%
2009	\$164,091	55.63%

Notes to the Required Schedules:

The information presented in the required supplementary schedule for the year ended 2011 was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest valuation follows:

Valuation Date	12/31/2011
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Pay Open
Remaining Amortization Period	30 Years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.0%

City of Lenoir, North Carolina
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For the Year Ended June 30, 2012

Includes Inflation at	3.00%
Medical Cost Trend Rate	9.5%– 5.0%
Year of Ultimate Trend Rate	2018

The information presented for the years ending June 30, 2010 & 2011 was determined by using the alternative measurement method.

2. Other Employment Benefits - The City provides death benefits to law enforcement officers through the Death Benefit Plan for members of LGERS. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$20,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The City considers these contributions to be immaterial.

3. Payables – Payables and accrued liabilities at June 30, 2012 were as follows at the government-wide level:

	<u>Vendors</u>	<u>Benefits</u>	<u>Total</u>
Governmental Activities:	<u>\$ 327,066</u>		<u>\$ 327,066</u>
Business-type activities:	<u>\$ 325,287</u>		<u>\$ 325,287</u>

4. Unearned/Deferred Revenues - The balance in deferred revenues in the fund financial statements and unearned revenue in the government-wide financial statements at June 30, 2012 is composed of the following elements:

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2012

	<u>Deferred</u>	<u>Unearned</u>
Taxes receivable (General Fund)	\$ 266,976	\$ -
Membership and fees paid in advance (General Fund)	1,590	1,590
Total	<u>\$ 268,566</u>	<u>\$ 1,590</u>

5. Risk Management - The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of at least \$2 million per occurrence, property coverage up to the total insurance values, and worker's compensation coverage up to the statutory limits.

The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000, and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. The City's health insurance provides unlimited lifetime coverage for in network and \$1 million for out of network. The City does not carry flood insurance.

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 159-29, the City's employees that have access top \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$100,000 each.

The Lenoir ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Board has property general liability; auto liability, workmen's compensation and employees' health coverage. The Board also has liquor legal liability coverage. There have been no significant reductions in coverage from the prior year and settled claims have not exceeded coverage in any of the past three years.

6. Long-Term Obligations

a. Drinking Water Revolving Loan

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2012

The City of Lenoir has received a loan to replace the Whitnel Pump Station. As of June 30, 2012 the loan balance was \$2,679,557 at an interest rate of 2.485% for a term of 20 years.

b. Water Pollution Control Revolving Loan

On September 30, 1998 the City of Lenoir assumed a loan offered from the Water Pollution Control Revolving Loan Fund identified as Federal Project #CS370393-03 and State Project #E-SRF-T-97-0082. The project was for the upgrade and expansion of the Lower Creek Wastewater Treatment Plant from 4.08 MGD to 6.0 MGD. As of June 30, 2012 the total loan balance was \$485,984 with an interest rate of 2.6% for a term of fifteen (15) years.

On July 1, 1999 the City of Lenoir assumed a Water Pollution Control Revolving Loan during the purchase of the Town of Hudson Utility System. The loan originated with the Town of Hudson on April 1, 1996 and is identified as State Project #E-SBF-C-94-0010. As of June 30, 2012 the total loan balance was \$70,462 with an interest rate of 5.85% for an original term of fifteen (15) years.

c. Drinking Water Revolving Loan

The City of Lenoir has received a loan for raw water intake improvements. As of June 30, 2012 the loan balance was \$3,652,714 at an interest rate of 2.22% for a term of 20 years.

d. Installment Purchase Contracts

The City has entered into installment purchase contracts to finance the purchase of equipment and installation/purchase of utility lines. A summary of installment purchase contracts follows:

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2012

DESCRIPTION	COST	DATE	TERM	RATE	FREQUENCY
Water and WW plant residuals management refinancing annexation lines	\$ 8,360,000	Refunded 12/24/2003	17.5 years	3.20%	\$302,907 semi-annual
Water & Sewer lines - Town of Hudson	\$ 1,206,484	Refunded 11/12/2003	15 years	3.97%	\$67,465 semi-annual
Utility Line Extension - Phase I 2001 Annexation	\$ 3,237,053	6-27-02	15 years	4.29%	\$144,608 semi-annual
Utility Line Extension - Phase II 2001 Annexation	\$ 2,658,000	12/2/02	15 years	4.09%	\$119,415 semi-annual
Utility Line Extension - Phase III 2001 Annexation	\$ 1,550,000	6/19/03	15 years	3.91%	\$68,780 semi-annual
Water Lines purchased from Caldwell County	\$ 373,490	12/13/2005	9 years	non-interest bearing	\$37,349 annually
Rhodhiss Water Treatment Plant renovations and utility line construction	\$ 2,700,000	6/30/2005	15 years	3.81%	\$92,544 semi-annual
Whitnel Pump Station	\$2,977,285	11/1/2010	20 years	2.485%	\$219,009 semi-annual
Streetscape, Recreation, & Downtown Utility Line Projects	\$1,410,000 \$1,190,000	8/26/2006	15 years	3.81%	\$88,634 semi-annual
Capital Equipment	\$673,897	11/16/2006	7 years	3.70%	\$2,740 quarterly
Capital Equipment	\$305,000	11/15/2007	4 years	3.25%	\$20,414 quarterly
Capital Equipment	\$621,653	1/15/2009	4 years	2.35%	\$40,822 quarterly
Capital Equipment	\$526,000	1/6/2011	4 years	2.16%	\$34,404 quarterly

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2012

The following summarizes the annual requirements to amortize all long-term debt outstanding (excluding compensated absences and the liability for the separation allowance for law enforcement officers):

	Principal	Interest	Principal	Interest
<u>Installment Contracts</u>				
2012	529,925	47,403	1,481,829	272,779
2013	362,241	33,010	1,553,749	218,284
2014	278,353	25,133	1,468,622	160,650
2015	131,698	19,137	862,251	111,517
2016	85,859	15,538	1,019,921	80,266
2017-2021	343,437	29,441	1,155,546	75,939
	<u>1,731,513</u>	<u>169,662</u>	<u>7,541,918</u>	<u>919,435</u>
<u>Section 108 Loan</u>				
2013	96,000	18,844	-	-
2014	102,000	13,854	-	-
2015	108,000	8,540	-	-
2016	114,000	2,901	-	-
	<u>420,000</u>	<u>44,139</u>	<u>-</u>	<u>-</u>
<u>Revolving Loans</u>				
2012	-	-	574,492	214,498
2013	-	-	574,492	142,956
2014	-	-	331,500	132,051
2015	-	-	331,500	124,304
2016	-	-	331,500	116,558
2017-2021	-	-	1,657,500	466,594
2022-2026	-	-	1,657,500	272,935
2027-2031	-	-	1,359,770	83,369
	<u>-</u>	<u>-</u>	<u>6,818,254</u>	<u>1,553,265</u>
Total	<u>\$ 2,151,513</u>	<u>\$ 213,801</u>	<u>\$ 14,360,172</u>	<u>\$ 2,472,700</u>

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2012

The following is a summary of changes in long-term obligations for the year-ended June 30, 2012:

	Balance July 1, 2011	Additions	Payments	Balance June 30, 2012	Portion of Long-term Liabilities
Governmental activities:					
Installment purchase contracts	\$ 2,193,276	\$ 355,000	\$ (816,763)	\$ 1,731,513	\$ 529,925
Compensated absences	494,682	23,023		517,705	298,000
Section 108 Loan	512,000		(92,000)	420,000	96,000
Pension obligation	332,096	11,072		343,168	-
Post employment benefits	342,641	5,797		348,438	-
Total governmental activities	\$ 3,874,695	\$ 394,892	\$ (908,763)	\$ 3,360,824	\$ 923,925

	Balance July 1, 2011	Additions	Payments	Balance June 30, 2012	Current Portion of Long-term Liabilities
Business-type activities:					
Installment purchase contracts	\$ 8,972,267		\$ (1,430,349)	\$ 7,541,918	\$ 1,481,829
Revolving loan	3,557,397	3,652,714	(391,857)	6,818,254	574,492
Construction loan	3,644,914	7,800	(3,652,714)	-	-
Compensated absences	118,028		(6,638)	111,390	72,000
Post employment benefits	25,180	22,334		47,514	-
Total business-type activities	\$ 16,317,786	\$ 3,682,848	\$ (5,481,558)	\$ 14,519,076	\$ 2,128,321

For the governmental activities compensated absences are liquidated by the General Fund, and for the business-type activities compensated absences are liquidated by the Water and Sewer Fund.

At June 30, 2012, the City of Lenoir had a legal debt margin of \$101,711,597.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2012

e. Interfund Activity

1. Transfers in (out) for the year ended June 30, 2012 are summarized below:

	<u>Transfer In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Nonmajor Governmental</u>	
<u>Transfer Out</u>				
General Fund	\$ -	\$ 59,866	\$ 120,000	\$ 179,866
Total transfers out	<u>\$ -</u>	<u>\$ 59,866</u>	<u>\$ 120,000</u>	<u>\$ 179,866</u>

Transfers from the general fund to the nonmajor governmental fund were matching funds used primarily to support the operations of the funds. One time transfer to the Special Revenue Fund was for matching grant funds.

2. Interfund receivables and payables at June 30, 2012 are composed as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$401,943	
Special Revenue Fund		\$ 86,407
Non-Major Governmental Funds		\$315,536

The outstanding balances between funds result mainly from working capital loans made to other fund are to be reimbursed in the subsequent years.

f. Fund Balance

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

Total fund balance – General Fund	<u>\$5,382,209</u>
Less:	
Prepaid Items	34,643
Stabilization by State Statute	1,427,098
Federal forfeiture	38,138
Public Safety	<u>297,704</u>
Remaining Fund Balance	\$3,584,626

IV. JOINT VENTURES

The City, in conjunction with the City of Morganton, County of Caldwell, and County of Burke participates in a regional airport known as the Foothills Regional Airport Authority (Airport Authority). The Airport Authority was established by act of the North Carolina General Assembly, Session Law 2000-9, House Bill 1517, and ratified June 14, 2000. The Airport Authority is successor in interest to the former Morganton-Lenoir Airport Authority. Each participating entity appoints two members to the eight-member board. The Airport Authority is a joint venture established to facilitate economic expansion within the area and improve the quality of life for City citizens. The airport has been in existence since 1945. The City is not responsible for financing any deficits of the Airport Authority nor is it entitled to any surpluses. The City does not approve the budget of the Airport Authority. The City occasionally contributes to the Airport Authority but is not bound to do so. The City contributed \$48,166 to the Airport Authority during the year ended June 30, 2012.

The participating entities do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2011. Complete financial statements for the Airport Authority can be obtained from the airport's administrative offices at P. O. Box 3448, Morganton, NC 28680.

V. JOINTLY GOVERNED ORGANIZATION

The City, in conjunction with four counties and twelve other municipalities established the Western Piedmont Council of Governments (Council) in 1971. The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The City paid approximately \$182,606 for membership fees and miscellaneous services to the Council during the year ended June 30, 2012.

VI. RELATED ORGANIZATIONS

The four-member board of the City of Lenoir Housing Authority (Housing Authority) is appointed by the mayor of the City of Lenoir. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City of Lenoir is also disclosed as a related organization in the notes to the financial statements for the Housing Authority.

VII. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES AND COMMITMENTS

A. Federal and State Assisted Programs - The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2012

Management believes that any required refunds will be immaterial. No provision has been made in the accompanying statements for the refund of grant money.

VIII. Subsequent Events

Subsequent events have been evaluated through August 24, 2012, which is the date the financial statements were available to be issued.

Required Supplementary Information

This section contains the following additional information required by generally accepted accounting principles: Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance, Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance and Schedule of Funding Progress and Employer Contributions for Other Post-Employment Benefits (OPEB).

City of Lenoir, North Carolina

Required Supplementary Information
 Law Enforcement Officers' Special Separation Allowance
 Schedule of Funding Progress and Employer Contributions
 For the Year Ended June 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) - Proj. Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Payroll for Year Ending on Val Date (c)	Percentage of Covered Payroll ((b-a)/c)
12/31/2011	\$ -	\$ 746,570	\$ 746,570	0.00%	\$ 2,039,207	36.61%
12/31/2010	\$ -	\$ 805,420	\$ 805,420	0.00%	\$ 2,151,296	37.44%
12/31/2009	\$ -	\$ 884,789	\$ 884,789	0.00%	\$ 1,993,571	44.38%
12/31/2008	\$ -	\$ 769,785	\$ 769,785	0.00%	\$ 1,998,704	38.51%
12/31/2007	\$ -	\$ 708,037	\$ 708,037	0.00%	\$ 1,955,275	36.21%
12/31/2006	\$ -	\$ 687,345	\$ 687,345	0.00%	\$ 1,917,798	35.84%
12/31/2005	\$ -	\$ 675,027	\$ 675,027	0.00%	\$ 1,930,693	34.96%
12/31/2004	\$ -	\$ 674,050	\$ 674,050	0.00%	\$ 1,887,699	35.71%
12/31/2003	\$ -	\$ 560,999	\$ 560,999	0.00%	\$ 1,608,177	34.88%
12/31/2002	\$ -	\$ 481,255	\$ 481,255	0.00%	\$ 1,615,459	29.79%

	Annual Required Contribution	Percentage Contributed
6/30/2012	\$ 89,673	84.08%
6/30/2011	\$ 90,295	108.88%
6/30/2010	\$ 75,825	148.28%
6/30/2009	\$ 70,725	158.28%
6/30/2008	\$ 68,204	129.58%
6/30/2007	\$ 69,292	105.64%
6/30/2006	\$ 71,731	89.70%
6/30/2005	\$ 64,728	89.02%
6/30/2004	\$ 31,819	50.35%
6/30/2003	\$ 8,025	11.96%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	12/31/2011	Actuarial Assumptions:	
Actuarial Cost Method	Projected Unit Credit	Investment Rate of Return	5.00%
Amortization Method	Level percent of pay closed	Projected Salary Increase	4.25% - 7.85%
Remaining Amortization Period	19 Years	Includes Inflation at	3.00%
Asset Valuation Method	Market Value	Cost of Living Adjustments	N/A

City of Lenoir, North Carolina

Other Post - Employment Benefits (OPEB)
Required Supplementary Information
 Schedule of Funding Progress and Employer Contributions
 For the Year Ended June 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) - Proj. Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Payroll for Year Ending on Val Date (c)	Percentage of Covered Payroll ((b-a)/c)
12/31/2006	\$ -	\$ 2,560,462	\$ 2,560,462	0.00%	\$ 7,269,824	35.22%
12/31/2007	\$ -	\$ 3,185,003	\$ 3,185,003	0.00%	\$ 7,802,197	40.82%
12/31/2008	\$ -	\$ 1,717,145	\$ 1,717,145	0.00%	\$ 8,514,138	20.17%
12/31/2009	\$ -	\$ 1,126,070	\$ 1,126,070	0.00%	\$ 8,754,716	12.86%

Schedule of Employer Contributions
 For the Year Ended June 30, 2012

	Annual Required Contribution	Percentage Contributed
6/30/2012	\$ 111,012	77.05%
6/30/2011	\$ 45,992 *	185.95%
6/30/2010	\$ 79,417 *	125.16%
6/30/2009	\$ 164,091	55.63%

Notes to the Required Schedules:

The information presented in the required supplementary schedule for the year ended 2011 was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	12/31/2011	Actuarial Assumptions:	
Actuarial Cost Method	Projected Unit Credit	Investment Rate of Return	4.00%
Amortization Method	Level percent of Pay, open	Includes Inflation at	3.00%
Remaining Amortization Period	30 Years	Medical Cost Trend Rate	9.5 - 5.0%
Asset Valuation Method	Market Value	Year of Ultimate Trend Rate	2018

* - The information presented for the years ended June 30, 2010 and 2011 was determined by using the alternative measurement method.

General Fund

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

This fund receives ad valorem tax revenue, local option sales taxes, federal- and state-shared revenues, licenses, permits, and fees. The major operating activities include general government, public safety, public works, parks and recreation, and other governmental service functions.

City of Lenoir, North Carolina

General Fund
Supplemental Balance Sheets
June 30, 2012
(Schedule 1)

	<u>2012</u>
Assets	
Cash and cash equivalents	\$ 4,239,989
Taxes receivable (net)	266,976
Accounts receivable (net)	624,350
Other receivables	400,805
Prepaid items	34,643
Due from other funds	401,943
Total assets	<u>\$ 5,968,706</u>
Liabilities and fund balances	
Liabilities:	
Accounts payable	\$ 317,931
Deferred revenues	268,566
Total liabilities	<u>586,497</u>
Fund balances:	
Non Spendable	
Prepaid Items	34,643
Restricted	
Stabilization by State Statute	1,427,098
Federal Forfeiture	38,138
Public Safety	297,704
Assigned	
Land Development	555,964
Unassigned	
Unassigned	3,028,662
Total fund balances	<u>5,382,209</u>
Total liabilities and fund balances	<u>\$ 5,968,706</u>

City of Lenoir, North Carolina

General Fund

Supplemental Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

(Schedule 2, Page 1)

	2012		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
REVENUES:			
Ad valorem taxes			
Taxes - Net of discounts	\$ 7,089,346	\$ 6,909,227	\$ (180,119)
Penalties and interest	92,100	111,606	19,506
Total	7,181,446	7,020,833	(160,613)
Other taxes and licenses:			
Local option sales tax	3,604,947	3,550,539	(54,408)
Privilege licenses	160,000	218,235	58,235
Motor vehicle tags	71,500	68,938	(2,562)
Gross receipts on rental vehicles	6,000	2,598	(3,402)
Total	3,842,447	3,840,310	(2,137)
Unrestricted intergovernmental revenues:			
Utilities franchise tax	1,400,000	1,460,189	60,189
Beer and wine tax	83,430	79,120	(4,310)
Total	1,483,430	1,539,309	55,879
Restricted intergovernmental revenues:			
State Street - Aid allocation	565,000	560,254	(4,746)
Contribution from Caldwell County	224,611	224,611	-
Grants	72,202	418,654	346,452
Federal forfeitures	43,000	18,699	(24,301)
Total	904,813	1,222,218	317,405
Permits and fees:			
Public safety fees and charges	212,000	161,990	(50,010)
Public works fees	13,000	29,707	16,707
Planning department fees and charges	6,000	4,851	(1,149)
Total	231,000	196,548	(34,452)
Sales and services:			
Bulk container service and sales	1,000	2,640	1,640
Solid waste fees	610,000	626,743	16,743
Cemetery lots and marker sales	115,000	81,337	(33,663)
Recreation department fees- centers and parks	89,884	83,817	(6,067)
Recreation department fees- aquatic/fitness center	119,750	121,050	1,300
Concessions	7,000	7,328	328
Telephone collection fees	16,000	8,823	(7,177)
Fire line charges	230,000	225,897	(4,103)

City of Lenoir, North Carolina

General Fund

Supplemental Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

(Schedule 2, Page 2)

	2012		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
REVENUES (Continued)			
Sales and services (Continued)			
Rentals	\$ 27,700	\$ 13,200	(14,500)
Vehicle maintenance contracts	500,000	498,791	(1,209)
Total	<u>1,716,334</u>	<u>1,669,626</u>	<u>(46,708)</u>
Interest on investments	42,200	5,527	(36,673)
Miscellaneous:			
Other	284,900	79,801	(205,099)
Total	<u>284,900</u>	<u>79,801</u>	<u>(205,099)</u>
Payment from Component Unit:			
City of Lenoir ABC Board			
Law enforcement	7,500	3,166	(4,334)
Profit distribution	200,000	216,702	16,702
Total	<u>207,500</u>	<u>219,868</u>	<u>12,368</u>
Total revenues	<u>15,894,070</u>	<u>15,794,040</u>	<u>(100,030)</u>
EXPENDITURES			
General Government:			
Administrative:			
Salaries and wages	722,816	721,739	1,077
Personnel benefits	216,655	215,248	1,407
Professional services	50,500	117,725	(67,225)
Telephone and postage	29,500	19,489	10,011
Utilities	16,000	13,981	2,019
Travel and training	40,000	36,955	3,045
Maintenance - building and equipment	16,000	10,463	5,537
Advertising and printing	5,000	18,593	(13,593)
Tax collection fees	15,000	13,974	1,026
Supplies	61,500	51,444	10,056
Contracted services	83,500	138,603	(55,103)
Dues and subscriptions	46,000	40,322	5,678
Insurance and bonds	31,508	41,292	(9,784)
Contribution to Foothills Regional			
Airport	42,320	48,166	(5,846)
Economic development	252,000	234,990	17,010
Capital improvements and equipment	25,000	16,285	8,715
Other operating expenses	90,318	43,897	46,421
Reimbursement of administrative costs for Water Fund	(295,336)	(334,666)	39,330
Total Administrative	<u>1,448,281</u>	<u>1,448,500</u>	<u>(219)</u>
Building Maintenance:			
Salaries and wages	143,302	169,879	(26,577)
Personnel benefits	68,647	66,585	2,062
Telephone and postage	2,000	2,180	(180)
Travel and training	500	875	(375)
Maintenance - building and equipment	34,000	13,166	20,834
Supplies	5,000	4,357	643

City of Lenoir, North Carolina

General Fund

Supplemental Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

(Schedule 2, Page 3)

	2012		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
General Government (Continued)			
Building Maintenance (Continued)			
Uniforms	\$ 2,600	\$ 2,749	\$ (149)
Contracted services	1,000	-	1,000
Insurance and bonds	8,500	8,007	493
Other operating expenses	2,500	1,618	882
Reimbursement of administrative costs for Water Fund	(10,500)	(12,855)	2,355
Total Building Maintenance	<u>257,549</u>	<u>256,561</u>	<u>988</u>
Engineering:			
Salaries and wages	108,555	108,556	(1)
Personnel benefits	36,643	36,321	322
Telephone and postage	5,000	4,995	5
Utilities	19,200	17,987	1,213
Maintenance - building and equipment	33,500	20,467	13,033
Travel and training	1,500	485	1,015
Supplies	2,800	4,254	(1,454)
Uniforms	650	1,343	(693)
Contracted services	8,000	4,670	3,330
Dues and subscriptions	1,100	664	436
Insurance and bonds	16,000	15,072	928
Other operating expenses	3,800	4,981	(1,181)
Reimbursement of administrative costs for Water Fund	(48,000)	(38,218)	(9,782)
Total Engineering	<u>188,748</u>	<u>181,577</u>	<u>7,171</u>
Cemetery:			
Salaries and wages	26,957	27,070	(113)
Personnel benefits	10,965	11,033	(68)
Telephone and postage	1,000	2,311	(1,311)
Utilities	12,000	4,709	7,291
Maintenance - building and equipment	18,000	13,507	4,493
Supplies	6,000	4,699	1,301
Uniforms	400	-	400
Contracted services	-	4,065	(4,065)
Purchase for resale	45,000	54,749	(9,749)
Insurance and bonds	7,000	6,594	406
Other operating expenses	2,000	101	1,899
Total Cemetery	<u>129,322</u>	<u>128,838</u>	<u>484</u>
Vehicle Services:			
Salaries and wages	112,846	112,411	435
Personnel benefits	49,717	52,075	(2,358)

City of Lenoir, North Carolina

General Fund

Supplemental Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

(Schedule 2, Page 4)

	2012		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
General Government (Continued)			
Vehicle Services (Continued)			
Telephone and postage	\$ 2,030	\$ 3,263	\$ (1,233)
Utilities	16,650	5,843	10,807
Maintenance - building and equipment	46,000	33,123	12,877
Travel and training	4,000	6,268	(2,268)
Departmental supplies	51,000	52,534	(1,534)
Uniforms	3,000	5,251	(2,251)
Contracted services	2,000	130	1,870
Capital improvements and equipment	355,000	359,163	(4,163)
Insurance and bonds	10,500	9,935	565
Other operating expenses	428,100	439,710	(11,610)
Reimbursement of administrative costs for Water Fund	(90,000)	(93,370)	3,370
Total Vehicle Services	990,843	986,336	4,507
Total General Government	3,014,743	3,001,812	12,931
Public Safety:			
Police:			
Salaries and wages	2,556,346	2,501,122	55,224
Personnel benefits	1,054,233	966,283	87,950
Professional services	5,000	1,275	3,725
Telephone and postage	58,630	66,733	(8,103)
Utilities	28,000	25,430	2,570
Travel and training	27,510	37,886	(10,376)
Maintenance - building and equipment	191,298	293,031	(101,733)
Supplies	48,575	57,842	(9,267)
Uniforms	31,090	31,095	(5)
Contracted services	92,770	93,201	(431)
Insurance and bonds	164,120	173,766	(9,646)
Federal forfeitures	22,000	5,353	16,647
Police benefit	10,000	7,943	2,057
Capital improvements and equipment	-	8,500	(8,500)
D.A.R.E.	6,000	3,641	2,359
Explorer Post 246	2,000	1,410	590
Adopt-A-Cop	5,000	3,338	1,662
Other operating expenses	15,850	19,089	(3,239)
Total Police	4,318,422	4,296,938	21,484
Fire:			
Salaries and wages	2,193,626	2,186,851	6,775
Personnel benefits	833,649	831,952	1,697

City of Lenoir, North Carolina

General Fund

Supplemental Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

(Schedule 2, Page 5)

	2012		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
Public Safety (Continued)			
Fire (Continued)			
Professional services	\$ 1,000	\$ 805	\$ 195
Telephone and postage	17,190	16,852	338
Utilities	36,782	36,525	257
Travel and training	19,500	12,528	6,972
Maintenance - building and equipment	175,000	232,364	(57,364)
Supplies	38,180	27,272	10,908
Uniforms	30,400	13,306	17,094
Contracted services	34,500	23,255	11,245
Dues and subscriptions	5,000	3,725	1,275
Insurance and bonds	101,873	102,991	(1,118)
Other operating expenses	11,703	8,181	3,522
Total Fire	3,498,403	3,496,607	1,796
Total Public Safety	7,816,825	7,793,545	23,280
Transportation:			
Streets:			
Salaries and wages	392,800	393,545	(745)
Personnel benefits	150,128	146,275	3,853
Professional services	17,000	1,042	15,958
Telephone and postage	2,000	1,776	224
Utilities	342,000	325,560	16,440
Travel and training	1,500	580	920
Maintenance - building and equipment	132,000	164,847	(32,847)
Street repairs and maintenance	248,000	231,695	16,305
Supplies	10,000	8,583	1,417
Street signs and pavement marking	65,000	75,972	(10,972)
Uniforms	6,950	4,853	2,097
Capital improvements and equipment		1,440	(1,440)
Insurance and bonds	36,559	34,796	1,763
Reimbursement of administrative costs for Water Fund	(40,000)	(32,499)	(7,501)
Other operating expenses	6,000	6,420	(420)
Total Transportation	1,369,937	1,364,885	5,052
Environmental Protection:			
Sanitation:			
Salaries and wages	318,069	311,483	6,586
Personnel benefits	130,229	125,968	4,261
Telephone and postage	500	9,472	(8,972)
Travel and training	2,000	-	2,000
Maintenance - building and equipment	192,000	177,429	14,571
Supplies	2,500	4,862	(2,362)
Advertising and printing	1,000	2,741	(1,741)
Insurance and bonds	30,000	28,374	1,626
Uniforms	5,000	7,299	(2,299)

City of Lenoir, North Carolina

General Fund

Supplemental Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

(Schedule 2, Page 6)

	2012		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
Environmental Protection (Continued)			
Sanitation (Continued)			
Purchases for resale	\$ 6,200	\$ -	\$ 6,200
Tipping fees	63,000	66,760	(3,760)
Recycling services	22,000	27,168	(5,168)
Other operating expenses	2,700	13,828	(11,128)
Total Environmental Protection	775,198	775,384	(186)
Economic and Physical Development:			
Downtown District:			
Salaries and wages	69,612	69,401	211
Personnel benefits	24,267	24,559	(292)
Professional services	2,000	18,416	(16,416)
Telephone and postage	3,700	2,042	1,658
Travel and training	5,500	4,955	545
Maintenance - equipment and streetscape	4,000	3,145	855
Advertising and printing	5,000	6,281	(1,281)
Departmental supplies	2,500	2,618	(118)
Contracted services	12,000	21,739	(9,739)
Events and promotions	4,500	5,094	(594)
Façade incentive grants	25,000	10,175	14,825
Dues and subscriptions	2,500	1,026	1,474
Other operating expenses	18,800	2,937	15,863
Total Downtown District	179,379	172,388	6,991
Planning:			
Salaries and wages	209,194	204,307	4,887
Personnel benefits	77,600	71,936	5,664
Professional services	11,208	21,943	(10,735)
Contracted services	14,960	33,435	(18,475)
Telephone and postage	5,500	4,188	1,312
Travel and training	7,000	3,850	3,150
Maintenance - equipment	7,000	2,292	4,708
Advertising and printing	4,000	1,561	2,439
Supplies	9,315	6,201	3,114
Dues and subscriptions	1,500	1,251	249
Insurance and bonds	14,500	13,659	841
Building demolition	23,500	21,533	1,967
Other operating expenses	1,500	3,719	(2,219)
Reimbursement for administrative costs for Water Fund	(41,898)	(45,871)	3,973
Total Planning	344,879	344,004	875
Total Economic and Physical Development	524,258	516,392	7,866

City of Lenoir, North Carolina

General Fund

Supplemental Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

(Schedule 2, Page 7)

	2012		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
Culture and Recreation:			
Recreation Centers and Parks:			
Salaries and wages	\$ 449,357	\$ 472,596	\$ (23,239)
Personnel benefits	154,523	156,686	(2,163)
Professional services	1,000	430	570
Basketball league	9,500	8,185	1,315
Softball & baseball leagues	10,000	5,170	4,830
Miscellaneous leagues and programs	52,826	54,836	(2,010)
Harambee Festival	9,500	9,258	242
Telephone and postage	14,032	10,690	3,342
Utilities	89,000	85,352	3,648
Travel and training	7,800	7,518	282
Insurance and bonds	34,700	40,840	(6,140)
Maintenance - building and equipment	102,500	74,765	27,735
Supplies	39,420	45,303	(5,883)
Dues and subscriptions	250	470	(220)
Advertising and printing	5,500	6,542	(1,042)
Uniforms	1,812	366	1,446
Contracted services	24,085	33,735	(9,650)
Concessions and purchases for resale	9,000	6,805	2,195
Other operating expenses	8,965	3,763	5,202
Total Recreation Centers and Parks	1,023,770	1,023,310	460
Aquatic and Fitness Center:			
Salaries and wages	258,347	239,510	18,837
Personnel benefits	78,412	64,934	13,478
Miscellaneous leagues and programs	500	-	500
Telephone and postage	4,050	2,604	1,446
Utilities	37,500	83,387	(45,887)
Travel and training	3,076	3,638	(562)
Maintenance - building and equipment	20,500	15,438	5,062
Supplies	41,026	38,322	2,704
Uniforms	1,238	346	892
Advertising and printing	6,342	2,865	3,477
Contracted services	12,825	14,466	(1,641)
Dues and Subscriptions	500	817	(317)
Concessions and purchases for resale	6,500	5,083	1,417
Insurance and bonds	7,800	7,348	452
Other operating expenses	2,012	888	1,124
Total Aquatic and Fitness Center	480,628	479,646	982
Landscaping:			
Salaries and wages	150,482	151,337	(855)
Personnel benefits	58,132	55,735	2,397
Telephone and postage	2,000	1,465	535
Utilities	4,000	1,864	2,136
Travel and training	3,000	249	2,751
Maintenance - building and equipment	31,000	42,101	(11,101)
Supplies	30,000	41,398	(11,398)

City of Lenoir, North Carolina

General Fund

Supplemental Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

(Schedule 2, Page 8)

	2012		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
Culture and Recreation (Continued)			
Landscaping (Continued)			
Uniforms	\$ 3,000	\$ 3,225	\$ (225)
Contracted services	-	300	(300)
Capital Improvements and equipment	26,000	11,998	14,002
Insurance and bonds	2,792	2,630	162
Other operating expenses	3,000	1,049	1,951
Total Landscaping	313,406	313,351	55
Total Culture and Recreation	1,817,804	1,816,307	1,497
Debt Service:			
Principal	815,806	816,763	(957)
Interest	69,499	67,404	2,095
Total Debt Service	885,305	884,167	1,138
Total Expenditures	16,204,070	16,152,492	51,578
REVENUES OVER/(UNDER) EXPENDITURES	(310,000)	(358,452)	(48,452)
OTHER FINANCING SOURCES (USES):			
Appropriated fund balance	50,000		(50,000)
Proceeds from sale of capital assets	25,000	16,794	(8,206)
Installment purchase issuance	355,000	355,000	-
Transfers out:			
To Special Revenue Fund		(59,866)	(59,866)
To Capital Projects Fund	(120,000)	(120,000)	-
Total other financing sources (uses)	310,000	191,928	(118,072)
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ -	(166,524)	\$ (166,524)
FUND BALANCE:			
Beginning of year		5,548,733	
End of year		\$ 5,382,209	

Special Revenue Fund

The Special Revenue Fund accounts for specific revenues that are legally restricted to expenditure for particular purposes.

The only fund so specified by the City is the Grants Program Fund to account for grant revenues and related expenditures. Included are the following projects: Governor's Highway Safety Grant; Fit Community Grant; Federal Energy Grant; PARTF Grant; E-911; 2009, 2010 and 2011 CDBG Entitlement Programs, and 2009, 2010, and 2011 Unifour HOME Consortium Programs.

City of Lenoir, North Carolina

**Special Revenue Fund
Supplemental Balance Sheets
June 30, 2012
(Schedule 3)**

	<u>2012</u>
Assets	
Cash and cash equivalents	\$ 92
Total assets	<u>\$ 92</u>
Liabilities and fund balances	
Liabilities:	
Accounts payable	9,135
Due to other funds	<u>86,407</u>
Total liabilities	<u>95,542</u>
Fund balances:	
Unassigned	<u>(95,450)</u>
Total fund balances	<u>(95,450)</u>
Total liabilities and fund balances	<u>\$ 92</u>

City of Lenoir, North Carolina

Special Revenue Fund
 Supplemental Schedule of Revenues and Expenditures Compared with
 Authorizations From Inception and for the Year Ended June 30, 2012
 (Schedule 4, Page 1)

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total To Date	
GOVERNOR'S HIGHWAY SAFETY GRANT:					
Revenues:					
Intergovernmental	10,000	-	3,166	3,166	(6,834)
Interest earned on investments	-	-	1	1	1
Total revenues	10,000	-	3,167	3,167	(6,833)
Expenditures:					
Departmental Supplies	3,000	-	3,198	3,198	(198)
Training	3,000	-	2,337	2,337	663
Capital equipment	4,000	-	3,139	3,139	861
Total expenditures	10,000	-	8,674	8,674	1,326
Expenditures (over) revenues	-	-	(5,507)	(5,507)	(5,507)
E-911					
Revenues:					
E-911 charges	160,000	150,561	-	150,561	(9,439)
Interest earned on investments	60,680	11,001	7	11,008	(49,672)
Total revenues	220,680	161,562	7	161,569	(59,111)
Expenditures:					
Departmental supplies	5,500	18,396	-	18,396	(12,896)
Maintenance - equipment	91,688	112,242	-	112,242	(20,554)
Contracted services	123,492	74,347	-	74,347	49,145
Total expenditures	220,680	204,985	-	204,985	15,695
Expenditures (over) revenues	-	(43,423)	7	(43,416)	(43,416)
FEDERAL ENERGY GRANT:					
Revenues:					
Contributions from Outside	40,000	-	40,825	40,825	825
Intergovernmental	70,000	16,742	50,891	67,633	(2,367)
Total revenues	110,000	16,742	91,716	108,458	(1,542)
Expenditures:					
Dept Supplies	85,000	16,742	68,149	84,891	109
Contract Services	25,000	-	23,567	23,567	1,433
Total expenditures	110,000	16,742	91,716	108,458	1,542
Expenditures (over) revenues	-	-	-	-	-

City of Lenoir, North Carolina

Special Revenue Fund
 Supplemental Schedule of Revenues and Expenditures Compared with
 Authorizations From Inception and for the Year Ended June 30, 2012
 (Schedule 4, Page 2)

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total To Date	
FIT COMMUNITY GRANT:					
Revenues:					
Intergovernmental	65,000	25,799	30,000	55,799	(9,201)
Expenditures:					
Dept Supplies	125,000	61,560	62,165	123,725	1,275
Total expenditures	125,000	61,560	62,165	123,725	1,275
Expenditures (over) revenues	(60,000)	(35,761)	(32,165)	(67,926)	(7,926)
PARTE GRANT					
Revenues:					
Intergovernmental	175,000	-	54,271	54,271	(120,729)
Expenditures:					
Dept Supplies	100,000	-	45,075	45,075	54,925
Contract Services	50,000	-	-	-	50,000
Capital Expenditures	200,000	-	100,083	100,083	99,917
Total expenditures	350,000	-	145,158	145,158	204,842
Expenditures (over) revenues	(175,000)	-	(90,887)	(90,887)	84,113
2009 COMMUNITY DEVELOPMENT BLOCK GRANT:					
Revenues:					
Intergovernmental	186,143	143,624	20,059	163,683	(22,460)
Expenditures:					
Debt principal	117,297	84,300	-	84,300	32,997
Debt interest	-	12,938	-	12,938	(12,938)
Sidewalk Project	39,522	17,062	-	17,062	22,460
Administration	29,324	33,324	-	33,324	(4,000)
Total expenditures	186,143	147,624	-	147,624	38,519
Expenditures (over) revenues	-	(4,000)	20,059	16,059	16,059
2010 COMMUNITY DEVELOPMENT BLOCK GRANT:					
Revenues:					
Intergovernmental	131,687	54,113	95,508	149,621	17,934
Expenditures:					
Debt principal	105,350	-	-	-	105,350
Sidewalk Project	-	22,460	-	22,460	(22,460)
Administration	26,337	31,653	-	31,653	(5,316)
Total expenditures	131,687	54,113	-	54,113	77,574
Expenditures (over) revenues	-	-	95,508	95,508	95,508

City of Lenoir, North Carolina

Special Revenue Fund

Supplemental Schedule of Revenues and Expenditures Compared with
 Authorizations From Inception and for the Year Ended June 30, 2012
 (Schedule 4, Page 3)

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total To Date	
2011 COMMUNITY DEVELOPMENT BLOCK GRANT:					
Revenues:					
Intergovernmental	131,690	-	26,338	26,338	(105,352)
Expenditures:					
Debt principal	105,352	-	92,000	92,000	13,352
Debt interest	-	-	23,567	23,567	(23,567)
Administration	26,338	-	26,338	26,338	-
Total expenditures	131,690	-	141,905	141,905	(10,215)
Expenditures (over) revenues	-	-	(115,567)	(115,567)	(115,567)
2009 UNIFOUR HOME CONSORTIUM:					
Revenues:					
Intergovernmental	1,184,021	832,020	352,000	1,184,020	(1)
Program income	220,000	176,435	-	176,435	(43,565)
Total revenue	1,404,021	1,008,455	352,000	1,360,455	(43,566)
Expenditures:					
Downpayment assistance	488,015	448,015	-	448,015	40,000
Program income	220,000	216,435	-	216,435	3,565
CHDO	177,604	177,603	-	177,603	1
Administration	118,402	118,402	-	118,402	-
Multi-family housing	400,000	48,000	352,000	400,000	-
Total expenditures	1,404,021	1,008,455	352,000	1,360,455	43,566
Expenditures (over) revenues	-	-	-	-	-

City of Lenoir, North Carolina

Special Revenue Fund
 Supplemental Schedule of Revenues and Expenditures Compared with
 Authorizations From Inception and for the Year Ended June 30, 2012
 (Schedule 4, Page 4)

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
2010 UNIFOUR HOME CONSORTIUM:					
Revenues:					
Intergovernmental	1,177,272	566,625	529,784	1,096,409	(80,863)
Program income	150,000	99,725	-	99,725	(50,275)
Total revenue	1,327,272	666,350	529,784	1,196,134	(131,138)
Expenditures:					
Downpayment assistance	478,004	476,641	5,863	482,504	(4,500)
Program Income	150,000	54,393	10,259	64,652	85,348
CHDO	176,591	-	117,728	117,728	58,863
Administration	117,727	119,057	7,243	126,300	(8,573)
Multi-family housing	404,950	-	404,950	404,950	-
Total expenditures	1,327,272	650,091	546,043	1,196,134	131,138
Expenditures (over) revenues	-	16,259	(16,259)	-	-
2011 UNIFOUR HOME CONSORTIUM:					
Revenues:					
Intergovernmental	1,036,727	-	522,409	522,409	(514,318)
Program income	100,000	-	132,739	132,739	32,739
Total revenue	1,136,727	-	655,148	655,148	(481,579)
Expenditures:					
Downpayment assistance	394,545	-	324,737	324,737	69,808
Program Income	100,000	-	122,239	122,239	(22,239)
CHDO	155,510	-	-	-	155,510
Administration	103,672	-	145,172	145,172	(41,500)
Multi-family housing	383,000	-	63,000	63,000	320,000
Total expenditures	1,136,727	-	655,148	655,148	481,579
Expenditures (over) revenues	-	-	-	-	-
Expenditures (over) revenues - all grants	\$ (235,000)	\$ (66,925)	\$ (144,811)	\$ (211,736)	\$ 23,264
Other financing sources:					
Transfers to General Fund	235,000	4,148	59,866	64,014	(170,986)
Expenditures (over) revenues - all grants	\$ -	\$ (62,777)	(84,945)	\$ (147,722)	\$ (147,722)
FUND BALANCE:					
Beginning of year			(10,505)		
End of year			\$ (95,450)		

Nonmajor Governmental Funds

The Nonmajor Governmental Funds include the Capital Projects Fund and the Permanent Fund.

City of Lenoir, North Carolina

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2012
 (Schedule 5)

	Capital Project Fund	Permanent Fund	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents-restricted	-	254,376	254,376
Other receivables	94,200	805	95,005
Total assets	<u>\$ 94,200</u>	<u>\$ 255,181</u>	<u>\$ 349,381</u>
Liabilities and fund balances			
Liabilities:			
Due to other funds	315,536	-	315,536
Total liabilities	<u>315,536</u>	<u>-</u>	<u>315,536</u>
Fund balances:			
Restricted Cementary Care	-	255,181	255,181
Unassigned	(221,336)	-	(221,336)
Total fund balances	<u>(221,336)</u>	<u>255,181</u>	<u>33,845</u>
Total liabilities and fund balances	<u>\$ 94,200</u>	<u>\$ 255,181</u>	<u>\$ 349,381</u>

City of Lenoir, North Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2012
 (Schedule 6)

	Capital Project Fund	Permanent Fund	Total Nonmajor Governmental Funds
Revenues			
Restricted intergovernmental revenues	\$ 144,665	\$ -	\$ 144,665
Investment earnings	-	1,628	1,628
Miscellaneous	6,950	-	6,950
Total revenues	<u>151,615</u>	<u>1,628</u>	<u>153,243</u>
Expenditures			
Current:			
Capital projects	265,098	-	265,098
Total expenditures	<u>265,098</u>	<u>-</u>	<u>265,098</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(113,483)</u>	<u>1,628</u>	<u>(111,855)</u>
Other financing sources (uses)			
From General Fund	120,000	-	120,000
Total other financing sources (uses)	<u>120,000</u>	<u>-</u>	<u>120,000</u>
Net change in fund balances	6,517	1,628	8,145
Fund balance - beginning	<u>(227,853)</u>	<u>253,553</u>	<u>25,700</u>
Fund balance - ending	<u>\$ (221,336)</u>	<u>\$ 255,181</u>	<u>\$ 33,845</u>

General Capital Project Fund

The General Capital Project Fund accounts for financial resources to be used for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. Projects are the Fairview Street Bridge, Downtown Streetscape and Greenway.

City of Lenoir, North Carolina

Capital Project Fund

Supplemental Schedule of Revenues, Expenditures and Changes in Fund Balance

Compared with Authorizations from Inception and for the Year Ended June 30, 2012

(Schedule 7, Page 1)

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
STREETSCAPE PROJECT:					
Revenues:					
NC municipal agreement	650,000	599,215	-	599,215	(50,785)
Contributions from Outside Agency	25,000	25,000	800	25,800	800
Interest earned on investments	-	71,822	-	71,822	71,822
Paver revenue	44,700	148,487	6,150	154,637	109,937
Total revenue	719,700	844,524	6,950	851,474	131,774
Expenditures:					
Engineering	81,850	134,556	-	134,556	(52,706)
Paving Harper Ave	400,000	350,210	-	350,210	49,790
Construction	1,484,650	1,013,921	213,532	1,227,453	257,197
Public Square	169,700	435,617	11,062	446,679	(276,979)
Contingency	45,500	-	-	-	45,500
Total expenditures	2,181,700	1,934,304	224,594	2,158,898	22,802
Expenditures (over) revenues	(1,462,000)	(1,089,780)	(217,644)	(1,307,424)	154,576
GREENWAY PROJECT:					
Revenues:					
NC DOT grant	181,235	183,035	-	183,035	1,800
Clean water trust fund grant	40,000	40,000	-	40,000	-
Contributions from Outside Agency	-	14,080	-	14,080	14,080
Interest earned on investments	-	2,164	-	2,164	2,164
Property contribution	189,400	189,400	-	189,400	-
Total revenue	410,635	428,679	-	428,679	18,044
Expenditures:					
Administrative	4,200	70,786	-	70,786	(66,586)
Property acquisition	632,492	229,885	-	229,885	402,607
Construction	544,486	856,347	4,601	860,948	(316,462)
Total expenditures	1,181,178	1,157,018	4,601	1,161,619	19,559
Expenditures (over) revenues	(770,543)	(728,339)	(4,601)	(732,940)	37,603

City of Lenoir, North Carolina

Capital Project Fund

Supplemental Schedule of Revenues, Expenditures and Changes in Fund Balance

Compared with Authorizations from Inception and for the Year Ended June 30, 2012

(Schedule 7, Page 2)

	Project Authorization	Actual		Total To Date	Variance Positive (Negative)
		Prior Years	Current Year		
FAIRVIEW BRIDGE					
Revenues:					
NC Highway Grant	720,000	-	144,665	144,665	(575,335)
Expenditures:					
Engineering	200,000	162,210	35,903	198,113	1,887
Construction	700,000	-	-	-	700,000
Total expenditures	900,000	162,210	35,903	198,113	701,887
Expenditures (over) revenues	(180,000)	(162,210)	108,762	(53,448)	126,552
Expenditures (over) under revenues - all projects	(2,412,543)	(1,980,329)	(113,483)	(2,093,812)	318,731
OTHER FINANCING SOURCES(USES):					
Financing issuances	1,604,500	1,094,550	-	1,094,550	(509,950)
Transfer from General Fund	808,043	356,700	120,000	476,700	(331,343)
Total other financing sources	2,412,543	1,451,250	120,000	1,571,250	(841,293)
Revenues and other financing sources over expenditures	\$ -	(529,079)	6,517	\$ (522,562)	\$ (522,562)
Fund balance beginning of year		301,226	(227,853)		
Fund balance end of year		\$ (227,853)	\$ (221,336)		

Permanent Fund

The Permanent Fund accounts for Perpetual Cemetery Care.

City of Lenoir, North Carolina

Permanent Fund

Supplemental Schedule of Revenues, Expenditures and Changes in
Fund Balance -Budget and Actual
For the Year Ended June 30, 2012

(Schedule 8)

	2012		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Revenues:			
Interest earned on investments	1,628	1,628	-
Total revenues	1,628	1,628	-
Revenues over expenditures	1,628	1,628	-
Revenues and other sources under expenditures and other uses	1,628	1,628	-
Fund Balance:			
Beginning of year		253,553	
End of year		\$ 255,181	

Agency Fund

The Agency Fund accounts for payments received by the City of Lenoir and remitted to CheckFree Pay on behalf of AT & T and Piedmont Natural Gas and Flexcare payments.

City of Lenoir, North Carolina

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For Fiscal Year Ended June 30, 2012
(Schedule 9)

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2012</u>
<u>CheckFree Pay</u>				
Assets				
Cash and cash equivalents	\$ 1,587	\$ 7,158	\$ 7,011	\$ 1,734
Total assets	\$ 1,587	\$ 7,158	\$ 7,011	\$ 1,734
Liabilities				
Due to other funds	\$ 1,587	\$ 7,158	\$ 7,011	\$ 1,734
Total liabilities	\$ 1,587	\$ 7,158	\$ 7,011	\$ 1,734
<u>Flex Spending</u>				
Assets				
Cash and cash equivalents	\$ 19,294	\$ 69,134	\$ 79,054	\$ 9,374
Total assets	\$ 19,294	\$ 69,134	\$ 79,054	\$ 9,374
Liabilities				
Due to other funds	\$ 19,294	\$ 69,134	\$ 79,054	\$ 9,374
Total liabilities	\$ 19,294	\$ 69,134	\$ 79,054	\$ 9,374
<u>Total All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 20,881	\$ 76,292	\$ 86,065	\$ 11,108
Total assets	\$ 20,881	\$ 76,292	\$ 86,065	\$ 11,108
Liabilities				
Due to other funds	\$ 20,881	\$ 76,292	\$ 86,065	\$ 11,108
Total liabilities	\$ 20,881	\$ 76,292	\$ 86,065	\$ 11,108

Enterprise Fund

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the government’s council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the government’s council has decided that periodic determination of net income is appropriate for accountability purposes.

The Water and Sewer Fund accounts for the City’s water filtration and distribution and wastewater collection and treatment operations.

City of Lenoir, North Carolina
Enterprise Fund - Water and Sewer Fund
Supplemental Balance Sheets
June 30, 2012
(Schedule 10)

	<u>2012</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 3,194,607
Accounts receivable (net)	537,624
Inventories	63,382
Restricted Cash and cash equivalents	121,445
Total current assets	<u>3,917,058</u>
Noncurrent assets	
Capital assets, net	45,883,335
Total noncurrent assets	<u>45,883,335</u>
Total assets	<u>49,800,393</u>
Liabilities	
Current liabilities	
Accounts payable	325,287
Installment purchase contracts - current	1,481,829
Revolving loan payable - current	574,492
Customer deposits	121,445
Compensated absences payable	72,000
Total current liabilities	<u>2,575,053</u>
Noncurrent liabilities	
Revolving loan payable	6,243,762
Installment purchase contracts payable	6,060,089
OPEB Liability	47,514
Compensated absences payable	39,390
Total noncurrent liabilities	<u>12,390,755</u>
Total liabilities	<u>14,965,808</u>
Net assets	
Invested in capital assets, net of related debt	31,523,163
Unrestricted net assets	3,311,422
Total net assets	<u>\$ 34,834,585</u>

City of Lenoir, North Carolina

Enterprise Fund - Water and Sewer Fund

Supplemental Schedule of Revenues - Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2012

(Schedule 11, Part I)

	2012		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
REVENUES:			
Operating revenues:			
Water sales	\$ 4,975,396	\$ 4,939,165	\$ (36,231)
Wastewater treatment charges	2,583,851	2,380,919	(202,932)
Water and sewer taps	45,000	27,130	(17,870)
Late payment/reconnect fees	227,000	228,618	1,618
Miscellaneous	48,000	57,474	9,474
Total operating revenues	<u>7,879,247</u>	<u>7,633,306</u>	<u>(245,941)</u>
Nonoperating revenues:			
Interest on investments	20,000	3,004	(16,996)
TOTAL REVENUES	<u>\$7,899,247</u>	<u>\$7,636,310</u>	<u>(\$262,937)</u>

City of Lenoir, North Carolina

Enterprise Fund - Water and Sewer Fund

Supplemental Schedule of Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2012

(Schedule 11, Part II, Page 1)

EXPENDITURES:	2012		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Rhodhiss Water Treatment Plant:			
Salaries and wages	\$ 275,797	\$ 280,190	\$ (4,393)
Personnel benefits	108,875	115,806	(6,931)
Telephone and postage	2,700	3,424	(724)
Utilities	263,000	329,139	(66,139)
Travel and training	1,900	660	1,240
Maintenance:			
Building and grounds	10,000	4,837	5,163
Equipment	40,000	47,648	(7,648)
Motor equipment operation and mainten	6,000	7,327	(1,327)
Departmental supplies	11,000	14,952	(3,952)
Uniforms	3,000	3,316	(316)
Contracted services	126,000	134,428	(8,428)
State testing	17,000	3,207	13,793
Chemicals	215,000	179,067	35,933
Insurance and bonds	22,842	22,698	144
Utility service fees	105,147	111,496	(6,349)
Miscellaneous	8,700	6,080	2,620
Total Rhodhiss Water Treatment Plant	1,216,961	1,264,275	(47,314)
Water Distribution:			
Salaries and wages	406,986	402,010	4,976
Personnel benefits	158,056	159,105	(1,049)
Professional services	55,000	46,581	8,419
Telephone and postage	38,000	48,199	(10,199)
Utilities	55,000	33,843	21,157
Travel and training	1,500	365	1,135
Maintenance:			
Equipment	7,000	17,907	(10,907)
Distribution system	47,000	21,451	25,549
Motor equipment operation and mainten	52,000	44,493	7,507
Departmental supplies	90,000	96,839	(6,839)
Uniforms	4,000	2,932	1,068
Insurance and bonds	68,000	67,090	910
Contracted services	165,000	220,123	(55,123)
Service extensions	5,000	-	5,000
Subdivision reimbursement	-	1,800	(1,800)
Miscellaneous	5,500	4,255	1,245
Utility service fees	105,147	111,496	(6,349)
Economic development	50,000	36,003	13,997
Total Water Distribution	1,313,189	1,314,492	(1,303)
Water Resources			
Salaries and wages	261,792	246,344	15,448
Personnel benefits	91,838	87,434	4,404
Professional services	40,000	59,352	(19,352)

City of Lenoir, North Carolina

Enterprise Fund - Water and Sewer Fund

Supplemental Schedule of Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2012

(Schedule 11, Part II, Page 2)

EXPENDITURES (Continued)	2012		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Water Resources (Continued)			
Travel and training	\$ 2,500	\$ 2,658	\$ (158)
Telephone and postage	3,500	4,176	(676)
Equipment maintenance	26,000	10,849	15,151
Motor equipment operation and mainten.	14,000	17,681	(3,681)
Departmental supplies	5,000	4,200	800
Uniforms	1,200	1,650	(450)
Contracted services	30,981	5,137	25,844
Insurance and bonds	950	895	55
Miscellaneous	3,850	1,750	2,100
Total Water Resources	481,611	442,126	39,485
Wastewater Collection			
Salaries and wages	160,064	128,999	31,065
Personnel benefits	64,803	51,191	13,612
Professional services	25,000	12,486	12,514
Telephone and postage	1,000	778	222
Utilities	19,500	27,753	(8,253)
Travel and training	1,500	1,294	206
Maintenance:			
Equipment	8,000	-	8,000
Sewage collection system	102,724	41,979	60,745
Motor equipment operation and mainten.	30,000	60,582	(30,582)
Departmental supplies	18,000	14,885	3,115
Uniforms	2,500	3,713	(1,213)
Contracted services	80,000	181,230	(101,230)
Subdivision reimbursement	35,000	1,800	33,200
Insurance and bonds	53,809	50,883	2,926
Miscellaneous	25,500	1,296	24,204
Service extensions	5,000	-	5,000
Utility service fees	105,147	111,496	(6,349)
Total Wastewater Collection	737,547	690,365	47,182
Lower Creek Wastewater Treatment Plant:			
Salaries and wages	283,079	280,932	2,147
Personnel benefits	115,695	112,202	3,493
Professional services	5,000	1,180	3,820
Telephone and postage	3,500	2,398	1,102
Utilities	300,000	347,392	(47,392)
Travel and training	2,000	1,365	635
Maintenance:			
Building and grounds	5,000	1,722	3,278
Equipment	55,000	31,510	23,490
Motor equipment operation and mainten.	11,000	17,850	(6,850)
Departmental supplies	20,000	12,702	7,298
Uniforms	1,500	2,839	(1,339)
Contracted services	7,500	85,543	(78,043)
Chemicals	180,000	73,253	106,747
Insurance and bonds	23,203	21,858	1,345
Miscellaneous	8,000	16,099	(8,099)
Utility service fees	105,147	111,496	(6,349)
Total Lower Creek Wastewater Treatment Plant	1,125,624	1,120,341	5,283

City of Lenoir, North Carolina

Enterprise Fund - Water and Sewer Fund

Supplemental Schedule of Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2012

(Schedule 11, Part II, Page 3)

EXPENDITURES (Continued)	2012		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Gunpowder Wastewater Treatment Plant:			
Salaries and wages	\$ 47,070	\$ 47,070	\$ -
Personnel benefits	15,203	14,784	419
Professional services	5,000	3,622	1,378
Telephone and postage	3,000	3,562	(562)
Utilities	143,000	162,304	(19,304)
Travel and training	500	17	483
Maintenance:			
Building and grounds	6,500	83	6,417
Equipment	47,000	32,071	14,929
Motor equipment operation and mainten	8,000	15,104	(7,104)
Departmental supplies	10,000	3,533	6,467
Uniforms	1,600	2,076	(476)
Contracted services	8,000	7,455	545
Chemicals	60,000	54,195	5,805
Insurance and bonds	17,605	16,584	1,021
Miscellaneous	3,200	5,175	(1,975)
Utility service fees	105,147	111,496	(6,349)
Total Gunpowder Wastewater Treatment Plant	480,825	479,131	1,694
Wastewater Pretreatment:			
Salaries and wages	98,613	98,613	-
Personnel benefits	36,633	36,151	482
Travel and training	250	40	210
Equipment maintenance	1,000	-	1,000
Motor equipment operation and mainten	1,800	2,621	(821)
Uniforms	450	446	4
Supplies	14,000	11,382	2,618
Contracted services	30,000	26,348	3,652
Miscellaneous	1,000	13,508	(12,508)
Total Wastewater Pretreatment	183,746	189,109	(5,363)
Budgetary appropriations:			
Interest paid	472,181	414,431	57,750
Debt principal	1,887,563	1,822,206	65,357
Total budgetary appropriations	2,359,744	2,236,637	123,107
TOTAL EXPENDITURES	\$ 7,899,247	\$ 7,736,476	\$ 162,771

City of Lenoir, North Carolina

Enterprise Fund - Water and Sewer Fund

Supplemental Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2012

(Schedule 11, Part III)

Reconciliation from budgetary basis (modified accrual) to full accrual basis:

	2012 Actual
Total revenues and other financing sources on Schedule 7, Part I, Water and Sewer	\$ 7,636,310
Total expenditures on Schedule 7, Part II, Water and Sewer	<u>7,736,476</u>
Revenues and other sources over (under) expenditures and other uses:	<u>(100,166)</u>
Reconciling items:	
Debt principal	1,822,206
(Increase) decrease in OPEB Liability	(22,334)
Capital contributions- Capital Projects	500,000
Interest earned Capital Projects	55
(Increase) decrease in accrued vacation pay	6,638
Depreciation expense	(1,119,345)
Capital Project loan proceeds	<u>(7,800)</u>
Total reconciling items	<u>1,179,420</u>
Change in Net Assets (Exhibit G)	<u>\$ 1,079,254</u>

Enterprise Capital Project Fund

The Enterprise Capital Project Fund accounts for financial resources to be used for the acquisition and construction of major water and sewer capital facilities. Projects are the Bernhardt Water Treatment Plant Renovation and Raw Water Intake.

City of Lenoir, North Carolina

Water and Sewer Capital Projects Fund

Supplemental Schedule of Revenues and Expenditures -

Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2012

(Schedule 12, Page 1)

	Project Authorization	Prior Years	Current Year	Total To Date	Variance Positive (Negative)
BERNHARDT PLANT RENOVATIONS:					
Revenues:					
Clean Water Trust Fund Grant	\$ 350,000	\$ 350,000		\$ 350,000	\$ -
Interest on investments	-	117,300		117,300	117,300
Total revenues	350,000	467,300	-	467,300	117,300
Expenditures:					
Engineering	362,000	241,652		241,652	120,348
Professional services	6,500	1,825		1,825	4,675
Construction	870,380	528,854		528,854	341,526
Cedar Rock line construction	153,350	123,000		123,000	30,350
Armory line construction	56,270	57,130		57,130	(860)
Contingency	101,500			-	101,500
Mechanical Bar Screen	500,000	470,206		470,206	29,794
Blue Ridge Forest	188,000	496,740	96,730	593,470	(405,470)
Purchase of land	900,000	906,458		906,458	(6,458)
Total expenditures	3,138,000	2,825,865	96,730	2,922,595	215,405
Expenditures (under) revenues	(2,788,000)	(2,358,565)	(96,730)	(2,455,295)	332,705
Other financing sources (uses):					
Transfers from Water Fund	188,000				(188,000)
Installment purchase issuance	2,600,000	2,100,000		2,100,000	(500,000)
Total Other financing sources(uses):	2,788,000	2,100,000	-	2,100,000	(688,000)
Revenues and other financing sources over (under) expenditures and other financing uses	-	(258,565)	(96,730)	(355,295)	(355,295)
RAW WATER INTAKE					
Revenues:					
Contributions from Outside Sources	1,000,000	1,550,000		1,550,000	550,000
Grants	500,000		500,000	500,000	-
Interest on investments		68,677	55	68,732	68,732
Total revenues	1,500,000	1,618,677	500,055	2,118,732	618,732
Expenditures:					
Engineering/surveying	780,000	511,725	53,032	564,757	215,243
Construction	5,020,000	4,325,658	525,736	4,851,394	168,606
Contingency	750,000				750,000
Total expenditures	6,550,000	4,837,383	578,768	5,416,151	1,133,849
Expenditures (under) revenues	(5,050,000)	(3,218,706)	(78,713)	(3,297,419)	1,752,581
Other financing sources (uses):					
State Revolving Loan issuance	5,050,000	3,644,914	7,800	3,652,714	(1,397,286)
Revenues and other financing sources over (under) expenditures and other financing uses	-	426,208	(70,913)	355,295	355,295
Total Water and Sewer Capital Project Fund	\$ -	\$ 167,643	\$ (167,643)	\$ 0	\$ 0

Additional Financial Data

This section contains the following additional financial data: Schedule of Cash and Investment Balances, Schedule of Ad Valorem Taxes Receivable, and Analysis of Current Tax Levy.

City of Lenoir, North Carolina

Schedule of Cash and Investment Balances

June 30, 2012

(Schedule 13)

	<u>Cost Value</u>	<u>Fair Value</u>
Cash and Investments in the form of:		
Cash:		
On hand	\$ 1,985	\$ 1,985
In demand deposits	257,799	257,799
In certificates of deposit	2,532,155	2,532,155
Total Cash	<u>2,791,939</u>	<u>2,791,939</u>
Investments - North Carolina Capital Management Trust	5,018,478	5,018,478
Total Cash and Investments	<u>\$ 7,810,417</u>	<u>\$ 7,810,417</u>
Distribution by Funds:		
Governmental Fund types	\$ 4,494,365	\$ 4,494,365
Enterprise Fund	3,316,052	3,316,052
Total	<u>\$ 7,810,417</u>	<u>\$ 7,810,417</u>

City of Lenoir, North Carolina

Schedule of Ad Valorem Taxes Receivable

June 30, 2012

(Schedule 14)

Fiscal Year	Uncollected Balance 7/1/2011	Additions	Collections and Credits	Uncollected Balance 6/30/2012
2011-2012	\$ -	\$ 7,249,166	\$ 6,764,851	\$ 484,315
2010-2011	492,320		163,739	328,581
2009-2010	100,015		30,324	69,691
2008-2009	143,085		19,431	123,654
2007-2008	113,913		6,830	107,083
2006-2007	82,270		4,085	78,185
2005-2006	71,727		1,854	69,873
2004-2005	34,954		358	34,596
2003-2004	40,933		170	40,763
2002-2003	34,475		96	34,379
2001-2002	26,007		26,007	-
Total	\$ 1,139,699	\$ 7,249,166	\$ 7,017,745	1,371,120

Less allowance for uncollectible ad valorem taxes receivable:

Ad valorem and vehicle	\$ 1,090,306	
Downtown Service District	13,838	1,104,144

Ad valorem taxes receivable - net \$ 266,976

Reconciliation with revenues:

Ad valorem taxes	\$ 7,020,833
Discounts allowed	80,786
Prior year releases	1,726
Amounts written off per statute of limitations	26,006
Subtotal	<u>7,129,351</u>
Less penalties and interest collected	<u>111,606</u>

Total collections and credits \$ 7,017,745

City of Lenoir, North Carolina

Analysis of Current Tax Levy
 June 30, 2012
 (Schedule 15)

	Total Property Valuation	Rate	Amount of Levy	Total Levy	
				Property Excluding Vehicles	Motor Vehicles
Original levy:					
Ad Valorem	\$ 1,369,801,712	\$ 0.54	\$ 7,396,929	\$ 7,396,929	
Downtown Service District	14,793,212	0.25	36,983	36,983	
Motor Vehicles:					
General	93,046,428	0.54	502,451		\$ 502,451
Downtown Service District	37,188	0.25	93		\$ 93
Discoveries			264,427	264,427	
Releases			(951,717)	(941,212)	(10,505)
Total for year	<u>1,477,678,540</u>		7,249,166	6,757,127	492,039
Less uncollected tax at June 30, 2011 (schedule 14)			484,316	379,235	105,080
Current year's taxes collected			<u>\$ 6,764,851</u>	<u>\$ 6,377,892</u>	<u>\$ 386,959</u>
Percent current year collected			93.32%	94.39%	78.64%

*Capital Assets Used in the Operation of
Governmental Funds*

City of Lenoir, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity

June 30, 2012

(Schedule 16)

Function and Activity	Land	Buildings and Improvements	Machinery and Equipment	Infrastructure	Construction in Progress	Total
General government:						
Administrative	\$ 1,005,302	\$ 882,537	\$ 721,033	\$ 759,098	\$ -	\$ 3,367,970
Vehicle services	-	-	280,540	-	-	280,540
Building maintenance	-	-	106,484	-	-	106,484
Public works administration	137,051	477,074	278,059	-	-	892,184
Cemeteries	105,673	150,164	75,248	-	-	331,085
Total general government	1,248,026	1,509,775	1,461,364	759,098	-	4,978,263
Public Safety:						
Police	170,165	1,606,695	3,747,931	-	-	5,524,791
Fire	207,202	682,229	3,014,622	-	-	3,914,053
Total public safety	377,367	2,298,924	6,762,553	-	-	9,438,844
Transportation:						
Streets	55,277	3,145,937	1,802,396	42,085,910	194,353	47,283,873
Environmental protection:						
Sanitation	9,500	19,969	1,393,466	-	-	1,422,935
Economic & physical development:						
Planning & Main Street	-	12,233	60,377	-	-	72,610
Recreation and culture:						
Recreation	1,507,206	6,475,783	569,845	1,069,840	100,083	9,722,756
Landscaping	10	396,104	280,949	-	-	677,063
Total recreation & culture	1,507,216	6,871,887	850,794	1,069,840	100,083	10,399,819
Total governmental funds capital assets	\$ 3,197,386	\$ 13,858,725	\$ 12,330,949	\$ 43,914,848	\$ 294,436	\$ 73,596,345

Statistical Section

This part of the City of Lenoir's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of understanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented Statement 34 as of June 30, 2003; tables presenting government-wide information include information beginning in that year.*

Table 2, (Page 1)
City of Lenoir, North Carolina
Changes in Net Assets
Last Ten Fiscal Years
 (accrual basis of accounting)
 (unaudited)

	Fiscal Year				
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Expenses					
Governmental activities:					
General government	\$ 2,067,383	\$ 2,431,126	\$ 2,454,329	\$ 2,287,280	\$ 2,532,093
Public safety	6,339,663	7,025,752	7,476,799	7,367,978	7,571,235
Transportation	1,771,298	1,929,235	2,001,950	1,987,133	1,877,492
Environmental protection	1,025,396	692,424	734,558	709,224	615,014
Economic and physical development	1,672,187	2,159,820	2,161,581	2,232,939	1,580,054
Culture and recreation	1,266,873	1,610,944	1,545,599	1,650,517	1,836,837
Interest and fees	145,307	87,979	94,776	96,311	203,560
Total governmental activities expenses	14,288,007	15,917,280	16,469,592	16,331,382	16,216,285
Business-type activities:					
Water and sewer	6,489,489	6,085,390	5,980,258	6,180,758	6,742,217
Total primary government expenses	\$ 20,777,496	\$ 22,002,670	\$ 22,449,850	\$ 22,512,140	\$ 22,958,502
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 807,755	\$ 719,012	\$ 842,158	\$ 919,369	\$ 300,365
Public safety	48,425	66,927	79,986	177,690	323,431
Transportation	25,932	25,274	12,316	32,916	355,179
Environmental protection	637,931	86,438	14,958	452,279	454,131
Economic and physical development	6,575	7,412	7,648	5,625	
Culture and recreation	168,804	164,448	153,557	152,553	207,022
Operating grants and contributions	2,271,344	2,737,525	2,534,588	2,956,330	3,787,830
Capital grants and contributions		1,306,050	1,532,924	391,751	802,339
Total governmental activities program revenues	3,966,766	6,113,086	5,178,115	5,088,513	6,230,297
Business-type activities:					
Charges for services:					
Water and sewer	5,561,166	5,860,885	6,799,186	7,011,120	7,803,997
Operating grants and contributions					
Capital grants and contributions	25,000		355,400	1,580,890	1,153,392
Total business-type activities program revenues	5,586,166	5,860,885	7,154,586	8,592,010	8,957,389
Total primary government program revenues	\$ 9,552,932	\$ 10,973,971	\$ 12,342,701	\$ 13,680,523	\$ 15,187,686
Net (Expense)/Revenue					
Governmental activities	\$ (10,321,241)	\$ (10,804,194)	\$ (11,291,477)	\$ (11,242,869)	\$ (9,985,988)
Business-type activities	(903,323)	(224,505)	1,184,328	2,411,252	2,215,172
Total primary government net expense	\$ (11,224,564)	\$ (11,028,699)	\$ (10,107,149)	\$ (8,831,617)	\$ (7,770,816)

Table 2, (Page 2)
City of Lenoir
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)

	Fiscal Year				
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Ad valorem taxes	\$ 5,877,862	\$ 5,941,565	\$ 6,404,153	\$ 7,051,605	\$ 6,995,180
Other taxes and licenses	2,381,079	2,648,948	2,844,646	2,992,602	3,249,329
Unrestricted Intergovernmental	1,255,464	1,239,037	1,272,757	1,165,617	1,244,682
Miscellaneous	82,511	836,368	792,211	837,805	765,656
Gain (loss) on sale of fixed assets	36,990		112,461	51,084	
Transfers	482,737	582,020	(86,371)	-	-
Payment from ABC Board	219,711	228,609	218,371	207,863	164,229
Interest earned on investments	57,725	45,437	53,823	146,230	284,435
Total governmental activities	10,394,079	11,521,984	11,612,051	12,452,806	12,703,511
Business-type activities:					
Miscellaneous	159,747	150,274	151,235	274,373	37,690
Gain (loss) on sale of fixed assets	(91,479)	-	-	-	-
Transfers	(482,737)	(582,020)	86,371	-	-
Interest earned on investments	89,079	49,165	65,885	172,082	257,750
Total business-type activities	(325,390)	(382,581)	303,491	446,455	295,440
Total primary government	\$ 10,068,689	\$ 11,139,403	\$ 11,915,542	\$ 12,899,261	\$ 12,998,951
Changes in Net Assets					
Governmental activities	\$ 72,838	\$ 717,790	\$ 320,574	\$ 1,209,937	\$ 2,717,523
Business-type activities	(1,228,713)	(607,086)	1,487,819	2,857,707	2,510,612
Total primary government	\$ (1,155,875)	\$ 110,704	\$ 1,808,393	\$ 4,067,644	\$ 5,228,135

Note: The City of Lenoir began to report accrual information when it implemented GASB Statement 34
in fiscal year 2002-2003.

Table 2, (Page 3)
City of Lenoir, North Carolina
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)

	Fiscal Year				
	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Expenses					
Governmental activities:					
General government	\$ 2,842,285	\$ 3,147,449	\$ 2,688,903	\$ 2,621,169	\$ 3,195,538
Public safety	7,782,866	8,462,402	8,474,676	8,609,721	8,215,430
Transportation	1,964,505	2,278,315	2,128,596	2,131,705	2,097,876
Environmental protection	745,097	754,872	772,091	829,299	703,246
Economic and physical development	1,920,170	1,453,317	1,955,860	1,683,790	2,197,798
Culture and recreation	1,809,285	2,234,821	2,025,347	2,051,873	2,196,855
Interest and fees	185,902	158,792	124,370	106,965	90,971
Total governmental activities expenses	<u>17,251,110</u>	<u>18,489,968</u>	<u>18,169,843</u>	<u>17,934,522</u>	<u>18,697,714</u>
Business-type activities:					
Water and sewer	6,740,901	6,790,236	7,012,770	6,748,649	7,049,311
Total primary government expenses	<u>\$ 23,992,011</u>	<u>\$ 25,280,204</u>	<u>\$ 25,182,613</u>	<u>\$ 24,683,171</u>	<u>\$ 25,747,025</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 273,237	\$ 498,629	\$ 664,933	\$ 777,946	\$ 1,059,899
Public safety	339,085	151,214	196,711	194,263	180,689
Transportation	486,496	-	19,928	21,151	29,707
Environmental protection	516,359	525,142	562,743	556,164	629,383
Economic and physical development	276,584	210,111	238,413	105,171	4,851
Culture and recreation	151,973	225,302	253,693	216,991	212,195
Operating grants and contributions	2,258,081	1,831,041	2,227,212	2,006,622	2,871,333
Capital grants and contributions	394,448	800,431	752,229	868,037	202,102
Total governmental activities program revenues	<u>4,675,263</u>	<u>4,241,870</u>	<u>4,915,860</u>	<u>4,747,345</u>	<u>5,190,159</u>
Business-type activities:					
Charges for services:					
Water and sewer	7,474,691	7,472,724	7,220,490	7,241,793	7,575,832
Operating grants and contributions	-	-	-	1,374,704	-
Capital grants and contributions	12,979	-	-	-	500,000
Total business-type activities program revenues	<u>7,487,670</u>	<u>7,472,724</u>	<u>7,220,490</u>	<u>8,616,497</u>	<u>8,075,832</u>
Total primary government program revenues	<u>\$ 12,162,933</u>	<u>\$ 11,714,594</u>	<u>\$ 12,136,350</u>	<u>\$ 13,363,842</u>	<u>\$ 13,265,991</u>
Net (Expense)/Revenue					
Governmental activities	\$ (12,575,847)	\$ (14,248,098)	\$ (13,253,983)	\$ (13,187,177)	\$ (13,507,555)
Business-type activities	746,769	682,488	207,720	1,867,848	1,026,621
Total primary government net expense	<u>\$ (11,829,078)</u>	<u>\$ (13,565,610)</u>	<u>\$ (13,046,263)</u>	<u>\$ (11,319,329)</u>	<u>\$ (12,481,034)</u>

Table 2, (Page 4)
City of Lenoir
Changes In Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)

	2007-2008	2008-2009	Fiscal Year 2009-2010	2010-2011	2011-2012
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Ad valorem taxes	\$ 7,127,521	\$ 8,076,972	\$ 7,206,622	\$ 7,370,866	\$ 6,824,494
Other taxes and licenses	3,964,985	3,717,692	3,470,522	3,762,006	3,840,310
Unrestricted Intergovernmental	1,424,792	1,517,749	1,464,036	1,524,091	1,539,309
Miscellaneous	384,877	435,693	598,575	229,488	86,751
Gain (loss) on sale of fixed assets	12,225	25,862	29,815		16,794
Payment from ABC Board	152,732	292,227	216,980	207,532	219,868
Interest earned on investments	288,351	122,035	18,273	10,351	7,163
Total governmental activities	<u>13,355,483</u>	<u>14,188,230</u>	<u>13,004,823</u>	<u>13,104,334</u>	<u>12,534,689</u>
Business-type activities:					
Miscellaneous	295,403	55,100	94,946	44,429	49,674
Interest earned on investments	236,414	77,995	9,666	4,248	3,059
Total business-type activities	<u>531,817</u>	<u>133,095</u>	<u>104,612</u>	<u>48,677</u>	<u>52,733</u>
Total primary government	<u>\$ 13,887,300</u>	<u>\$ 14,321,325</u>	<u>\$ 13,109,435</u>	<u>\$ 13,153,011</u>	<u>\$ 12,587,422</u>
Changes in Net Assets					
Governmental activities	\$ 779,636	\$ (59,868)	\$ (249,160)	\$ (82,843)	\$ (972,866)
Business-type activities	1,278,586	815,583	312,332	1,916,525	1,079,254
Total primary government	<u>\$ 2,058,222</u>	<u>\$ 755,715</u>	<u>\$ 63,172</u>	<u>\$ 1,833,682</u>	<u>\$ 106,388</u>

Note: The City of Lenoir began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002-2003.

Table 3
City of Lenoir, North Carolina
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(unaudited)

	Fiscal Year				
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
General Fund					
Reserved	\$ 1,478,239	\$ 1,573,129	\$ 1,769,710	\$ 2,120,509	3,414,011
Unreserved	2,163,738	1,797,042	2,024,965	2,265,977	3,188,151
Designated for subsequent year's expenditures	419,785	470,000	-	-	-
Total general fund	\$ 4,061,742	\$ 3,840,171	\$ 3,794,675	\$ 4,406,486	\$ 6,602,182
All Other Governmental Funds					
Reserved					
Unreserved, reported in:					
Special revenue funds	\$ -	\$ 37,003	\$ 3	\$ 90,007	
Capital project funds	181,628	217,020	152,022	401,225	695,086
Permanent fund	274,126	263,170	278,356	287,821	\$ 230,543
Total all other governmental funds	\$ 455,752	\$ 517,193	\$ 428,381	\$ 779,053	\$ 925,629

	Fiscal Year				
	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
General Fund					
NonSpendable				\$ 29,608	\$ 34,643
Restricted	3,525,760	2,499,565	2,116,002	2,012,151	1,762,940
Assigned				610,557	555,964
Unassigned	3,319,100	3,653,831	3,760,253	2,896,417	3,028,662
Total general fund	\$ 6,844,860	\$ 6,152,396	\$ 5,876,255	\$ 5,548,733	\$ 5,382,209
All Other Governmental Funds					
NonSpendable	\$ 240,783	\$ 248,177	\$ 251,441	\$ 253,553	\$ 255,181
Restricted	952,521	520,420	187,512		
Unassigned				(239,358)	(316,786)
Total all other governmental funds	\$ 1,193,304	\$ 768,597	\$ 438,953	\$ 15,195	\$ (61,605)

Table 4, (Page 1)
 City of Lenoir, North Carolina
 Changes in Fund Balances, Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (unaudited)

	Fiscal Year				
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Revenues					
Ad valorem taxes	\$ 5,918,019	\$ 5,885,658	\$ 6,352,006	\$ 7,054,808	\$ 7,021,088
Other taxes and licenses	2,381,079	2,648,948	2,844,646	2,992,602	3,249,329
Unrestricted intergovernmental revenues	1,255,484	1,239,037	1,272,757	1,165,617	1,244,682
Restricted intergovernmental revenues	2,271,344	2,737,525	2,737,488	3,253,485	3,090,169
Permits and fees	83,900	1,434,444	168,753	136,040	138,612
Sales and services	1,611,522	941,117	941,870	1,509,588	1,501,516
Investment earnings	57,725	45,437	53,823	148,230	284,435
Miscellaneous	82,511	836,368	2,122,215	1,027,205	2,285,656
Payment from ABC Board	219,711	228,609	218,371	207,863	184,229
Total revenues	13,881,275	15,897,143	16,711,929	17,493,438	18,959,716
Expenditures					
General government	1,824,162	2,363,329	2,321,369	2,171,212	3,646,958
Public safety	5,931,083	6,873,594	7,153,289	7,030,070	7,288,312
Transportation	1,032,493	1,226,625	1,198,540	1,176,854	1,062,932
Environmental protection	937,413	828,934	675,569	653,224	568,268
Economic and physical development	1,663,931	2,153,791	2,152,590	2,355,838	1,590,722
Cultural and recreation	1,135,762	1,483,969	1,411,359	1,507,834	1,675,889
Capital outlay	1,331,185	2,335,600	2,462,304	3,275,177	930,585
Debt service:					
Interest	124,942	67,980	94,775	98,281	203,590
Principal	782,404	697,871	601,831	717,440	837,637
Total expenditures	14,763,375	17,631,793	18,071,626	18,036,039	17,808,761
Excess of revenues over (under) expenditures	(882,100)	(1,634,650)	(1,359,697)	(1,542,601)	1,152,955
Other Financing Sources (Uses)					
Proceeds from installment purchase	-	892,500	1,199,300	2,454,000	1,169,297
Proceeds from disposal of capital assets	38,090	-	112,461	51,084	-
Transfers in	572,361	712,881	285,635	173,725	285,946
Transfers out	(89,624)	(130,861)	(352,006)	(173,725)	(285,946)
Total other financing sources (uses)	519,727	1,474,520	1,225,390	2,505,084	1,169,297
Net change in fund balances	\$ (362,373)	\$ (160,130)	\$ (134,307)	\$ 962,483	\$ 2,342,252
Debt service as a percentage of noncapital expenditures	6.76%	5.01%	4.46%	5.18%	6.17%

Table 4, (Page 2)
City of Lenoir, North Carolina
Changes In Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(unaudited)

	Fiscal Year				
	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Revenues					
Ad valorem taxes	\$ 7,058,908	\$ 8,127,482	\$ 7,274,284	\$ 7,245,878	\$ 7,020,833
Other taxes and licenses	3,964,985	3,717,692	3,470,522	3,762,006	3,840,310
Unrestricted intergovernmental revenues	1,424,782	1,517,749	1,464,036	1,524,091	1,539,309
Restricted intergovernmental revenues	2,974,919	2,877,185	1,110,853	938,984	3,224,873
Permits and fees	142,632	183,048	117,900	199,682	196,548
Sales and services	1,603,518	1,422,771	1,481,369	1,551,101	1,669,826
Investment earnings	288,351	122,034	14,578	8,798	7,163
Miscellaneous	339,070	194,559	542,745	219,547	86,751
Payment from ABC Board	182,732	282,227	216,980	207,532	219,866
Total revenues	17,949,905	18,454,728	15,693,367	15,857,619	17,805,281
Expenditures					
General government	2,957,708	3,984,092	2,485,008	2,303,427	3,001,812
Public safety	7,446,694	7,945,639	7,823,937	7,981,579	7,802,219
Transportation	1,232,217	1,479,813	1,359,189	1,418,880	1,364,885
Environmental protection	702,619	925,713	679,803	748,417	775,384
Economic and physical development	2,038,156	1,505,639	526,443	580,395	2,187,637
Cultural and recreation	1,680,371	2,138,932	1,784,162	1,805,049	2,023,630
Capital outlay	529,934	1,154,897	315,225	656,659	285,098
Debt service:					
Interest	146,795	188,793	105,730	78,843	90,971
Principal	1,068,530	931,228	851,467	778,766	908,763
Total expenditures	17,781,072	20,224,745	15,942,024	16,352,095	18,420,399
Excess of revenues over (under) expenditures	168,833	(1,770,017)	(248,657)	(694,476)	(616,118)
Other Financing Sources (Uses)					
Proceeds from installment purchase	305,000	621,653		528,000	355,000
Proceeds from disposal of capital assets	36,540	31,193	32,516		16,794
Transfers in	300,000				
Transfers out	(300,000)		(80,000)	(138,637)	
Total other financing sources (uses)	341,540	652,846	(27,484)	387,363	371,794
Net change in fund balances	\$ 510,373	\$ (1,117,171)	\$ (276,141)	\$ (307,113)	\$ (243,324)
Debt service as a percentage of noncapital expenditures	7.03%	5.72%	6.13%	5.46%	5.51%

Note: Prior to fiscal 2002-2003 principal and interest on installment purchases was not recorded as separate items.

Table 5
City of Lenoir, North Carolina
Assessed Value of Taxable Property
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Real Property	Personal Property	Public Service Companies	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2011-2012	\$ 1,255,742,776	\$ 264,497,419	\$ 46,472,323	\$ 182,117,594	\$ 1,384,594,924	\$ 0.540
2010-2011	\$ 1,278,228,976	\$ 241,451,644	\$ 47,030,270	\$ 182,808,563	\$ 1,383,902,327	\$ 0.540
2009-2010	\$ 1,295,925,277	\$ 178,707,495	\$ 47,677,991	\$ 179,894,259	\$ 1,294,738,526	\$ 0.540
2008-2009	\$ 1,278,292,193	\$ 342,060,097	\$ 52,755,382	\$ 180,616,306	\$ 1,439,735,997	\$ 0.540
2007-2008	\$ 1,035,914,424	\$ 240,938,577	\$ 48,887,415	\$ 16,267,165	\$ 1,260,585,849	\$ 0.540
2006-2007	\$ 1,018,965,821	\$ 230,768,919	\$ 45,431,078	\$ 16,267,165	\$ 1,233,467,588	\$ 0.540
2005-2006	\$ 995,405,224	\$ 259,007,632	\$ 40,670,706	\$ 15,925,498	\$ 1,238,487,371	\$ 0.540
2004-2005	\$ 862,613,830	\$ 248,782,003	\$ 41,022,024	\$ 12,274,563	\$ 1,099,121,283	\$ 0.540
2003-2004	\$ 850,939,400	\$ 223,809,339	\$ 42,614,115	\$ 11,716,920	\$ 1,063,031,832	\$ 0.500
2002-2003	\$ 891,189,200	\$ 282,644,578	\$ 43,193,844	\$ 11,579,713	\$ 1,162,254,078	\$ 0.500

Notes: Real and personal property assessed by Caldwell County.
* Quadrennial reappraisal of real and personal property.
Public service companies values certified by State of North Carolina.
Property assessed at 100% of value.

Table 6
City of Lenoir, North Carolina
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$100 of assessed value)
(unaudited)

Fiscal Year	City Direct Rates			Overlapping Rates		
	City of Lenoir Basic Rate	Downtown Service District	Caldwell County Basic Rate	Caldwell County Basic Rate	Rescue Squad	Rescue Squad
2011-2012	\$ 0.5400	\$ 0.2500	\$ 0.6599	\$ 0.6599	\$ 0.0085	\$ 0.0085
2010-2011	\$ 0.5400	\$ 0.2500	\$ 0.6599	\$ 0.6599	\$ 0.0085	\$ 0.0085
2009-2010	\$ 0.5400	\$ 0.2500	\$ 0.6599	\$ 0.6599	\$ 0.0085	\$ 0.0085
2008-2009	\$ 0.5400	\$ 0.2500	\$ 0.6599	\$ 0.6599	\$ 0.0085	\$ 0.0085
2007-2008	\$ 0.5400	\$ 0.2500	\$ 0.6599	\$ 0.6599	\$ 0.0085	\$ 0.0085
2006-2007	\$ 0.5400	\$ 0.2500	\$ 0.5399	\$ 0.5399	\$ 0.0085	\$ 0.0085
2005-2006	\$ 0.5400	\$ 0.2500	\$ 0.5399	\$ 0.5399	\$ 0.0085	\$ 0.0085
2004-2005	\$ 0.5400	\$ 0.2500	\$ 0.5839	\$ 0.5839	\$ 0.0071	\$ 0.0071
2003-2004	\$ 0.5000	\$ 0.2500	\$ 0.5839	\$ 0.5839	\$ 0.0071	\$ 0.0071
2002-2003	\$ 0.5000	\$ 0.2500	\$ 0.5561	\$ 0.5561	\$ 0.0071	\$ 0.0071

Source: Caldwell County Tax Assessor

Notes: The tax rates are set by the governing bodies of the City of Lenoir and Caldwell County during their annual budget processes and are effective as of July 1 for the preceding January 1 valuation.
All property owners within the Downtown Service District pay their direct tax rate in addition to the basic City of Lenoir rate.
All City of Lenoir property owners pay the Caldwell County basic and Rescue Squad rates.

Table 7
 City of Lenoir, North Carolina
 Principal Property Taxpayers
 Current Year and Ten Years Ago
 (unaudited)

Taxpayers	2001				2011			
	Taxable Assessed Value	Rank	Total City Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Total City Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Broyhill Furniture Industries, Inc.	\$ 79,869,898	1	\$ 1,126,887,353	7.09%	\$ 23,310,280	3	\$ 1,384,594,924	1.68%
Bernhardt Furniture Company	36,770,021	2		3.17%	24,631,748	2		1.78%
Kincaid Furniture Company, Inc.	22,176,405	3		1.97%	15,260,883	6		1.10%
Yale/Nacco Materials Handling Corp.	18,101,651	4		1.56%				
Meridian Automotive	14,048,673	5		1.25%				0.00%
BellSouth	13,851,440	6		1.23%				0.00%
Duke Energies	13,466,581	7		1.20%	19,996,802	4		1.44%
American & Elfrid Thread Mills, Inc./Paxar	11,314,415	8		1.00%	12,521,211	10		0.90%
Thomasville Furniture Industries	10,340,990	9		0.92%	14,863,733	8		1.07%
Bemis Manufacturing	9,314,994	10		0.83%				
Google/Tapaha					191,967,154	1		13.82%
Blue Ridge Electric					16,408,841	5		1.19%
Greer Labs					15,145,933	7		1.09%
Vantage foods (MDI)					13,838,157	9		1.00%
Total	\$ 228,255,068		\$ 1,126,887,353	20.21%	\$ 347,344,742		\$ 1,384,594,924	25.09%

Source: Caldwell County Tax Assessor

Table 8
 City of Lenoir, North Carolina
 Property Tax Levies and Collections
 Last Ten Fiscal Years
 (unaudited)

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2012	\$ 7,249,166	\$ 6,764,851	93.32%	\$ 163,739	\$ 6,764,851	93.32%
2011	\$ 7,274,696	\$ 6,782,376	93.23%	\$ 363,151	\$ 6,946,115	95.48%
2010	\$ 7,414,997	\$ 6,982,155	94.16%	\$ 298,746	\$ 7,345,306	99.06%
2009	\$ 8,360,977	\$ 7,938,577	94.95%	\$ 316,079	\$ 8,237,323	98.52%
2008	\$ 7,256,869	\$ 6,833,707	94.17%	\$ 241,050	\$ 7,149,786	98.52%
2007	\$ 7,142,878	\$ 6,823,643	95.53%	\$ 222,550	\$ 7,064,693	98.91%
2006	\$ 7,112,171	\$ 6,819,748	95.89%	\$ 257,019	\$ 7,042,298	99.02%
2005	\$ 6,379,392	\$ 6,087,777	95.43%	\$ 236,159	\$ 6,344,796	99.46%
2004	\$ 5,977,735	\$ 5,700,813	95.37%	\$ 282,821	\$ 5,996,972	99.32%
2003	\$ 6,144,931	\$ 5,827,731	94.84%		\$ 6,110,552	99.44%

Source: Caldwell County Tax Supervisor

Table 9
 City of Lenoir, North Carolina
 Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years
 (unaudited)

Fiscal Year Ended June 30	Governmental Activities			Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Installment Purchase Contracts	Section 108 Loan	Revolving Loan	Installment Purchase Contracts					
2012	\$ -	\$ 2,193,276	\$ 512,000	\$ 3,557,397	\$ 8,972,267	\$ -	\$ 15,234,940	0.18%	\$ -	
2011	\$ -	\$ 2,446,042	\$ 598,000	\$ 3,948,258	\$ 10,357,183	\$ -	\$ 17,360,478	0.16%	\$ 834	
2010	\$ -	\$ 3,297,509	\$ 880,000	\$ 1,214,959	\$ 11,788,145	\$ -	\$ 16,977,613	0.17%	\$ 896	
2009	\$ -	\$ 3,530,084	\$ 757,000	\$ 1,457,951	\$ 13,196,821	\$ -	\$ 18,941,856	0.14%	\$ 999	
2008	\$ -	\$ 4,291,535	\$ 831,000	\$ 1,700,943	\$ 14,544,131	\$ -	\$ 21,367,609	0.13%	\$ 1,150	
2007	\$ -	\$ 3,870,775	\$ 900,000	\$ 1,943,935	\$ 15,888,895	\$ -	\$ 22,603,405	0.12%	\$ 1,223	
2006	\$ -	\$ 3,034,215	\$ -	\$ 2,186,927	\$ 13,824,187	\$ -	\$ 19,045,329	0.14%	\$ 1,032	
2005	\$ -	\$ 2,436,745	\$ -	\$ 2,429,919	\$ 14,337,723	\$ -	\$ 19,204,387	0.13%	\$ 1,089	
2004	\$ 100,000	\$ 2,142,218	\$ -	\$ 2,672,910	\$ 15,389,242	\$ -	\$ 20,298,370	0.12%	\$ 1,098	

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
 See Table 13 for personal income and population data.
 * denotes not available

Table 10
City of Lenoir, North Carolina
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(unaudited)

Fiscal Year Ended June 30	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2012	\$ -	0.00%	\$ -
2011	\$ -	0.00%	\$ -
2010	\$ -	0.00%	\$ -
2009	\$ -	0.00%	\$ -
2008	\$ -	0.00%	\$ -
2007	\$ -	0.00%	\$ -
2006	\$ -	0.00%	\$ -
2005	\$ -	0.00%	\$ -
2004	\$ -	0.00%	\$ -
2003	\$ 100,000	0.01%	\$ 5.41

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
See Table 13 for personal income and population data.

Table 11
City of Lenoir, North Carolina
Direct and Overlapping Governmental Activities Debt
As of June 30, 2012
(unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
Caldwell County General Obligation Bonds	\$ 3,945,000	26.74%	\$ 1,054,893
Other debt			
Caldwell County equity purchase contracts	35,964,567	26.74%	<u>9,616,925</u>
Subtotal, overlapping debt			10,671,818
Lenoir direct debt			3,360,824
Total direct and overlapping debt			<u><u>\$ 14,032,642</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the Caldwell County assessor. Debt outstanding provided by each governmental unit.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Lenoir. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident - and, therefore, responsible for repaying the debt - of each overlapping government.

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another government unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value. This approach was also used for Caldwell County's other debt.

Table 12
City of Lenoir, North Carolina
Legal Debt Margin Information
Last Ten Fiscal Years
(unaudited)

Calculation of legal debt margin as of June 30, 2012:

Assessed valuation - January 1, 2011		\$ 1,477,678,540
Debt Limit - 8% of assessed value		\$ 118,214,283
Gross long-term debt	\$ 16,502,686	
Less statutory deductions		
Bonds applicable to water system		16,502,686
Legal debt margin		<u>\$ 101,711,597</u>

	Fiscal Year				
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Debt limit	\$ 99,691,340	\$ 91,860,804	\$ 91,178,633	\$ 102,141,496	\$ 102,277,265
Total net debt applicable to limit	20,296,372	19,204,389	19,045,329	22,603,405	21,387,609
Legal debt margin	<u>\$ 79,592,968</u>	<u>\$ 72,656,415</u>	<u>\$ 72,133,304</u>	<u>\$ 79,538,091</u>	<u>\$ 80,889,646</u>
Total net debt applicable to the limit as a percentage of debt limit	20.32%	20.91%	20.89%	22.13%	20.91%

	Fiscal Year				
	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Debt limit	\$ 104,757,860	\$ 119,399,309	\$ 114,866,842	\$ 115,475,883	\$ 118,214,283
Total net debt applicable to limit	18,966,321	19,543,613	17,360,478	18,879,854	16,502,686
Legal debt margin	<u>\$ 85,791,539</u>	<u>\$ 99,855,696</u>	<u>\$ 97,626,364</u>	<u>\$ 96,596,129</u>	<u>\$ 101,711,597</u>
Total net debt applicable to the limit as a percentage of debt limit	18.10%	16.37%	15.10%	16.35%	13.96%

Note: Under N. C. Statutes the City's outstanding debt should not exceed 8% of total assessed property value less statutory deductions.

Table 13
City of Lenoir, North Carolina
Demographic and Economic Statistics
Last Ten Calendar Years
(unaudited)

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income (In Millions)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2011	18,261	*	*	13.5%
2010	18,261	\$ 2,238	\$ 26,958	12.4%
2009	19,064	\$ 2,235	\$ 27,969	13.4%
2008	18,952	\$ 2,246	\$ 28,127	10.7%
2007	18,954	\$ 2,162	\$ 27,240	7.4%
2006	18,588	\$ 2,177	\$ 27,520	7.8%
2005	18,479	\$ 2,086	\$ 26,480	7.8%
2004	18,458	\$ 2,039	\$ 26,005	7.3%
2003	18,492	\$ 1,984	\$ 25,148	7.9%
2002	18,492	\$ 1,945	\$ 25,235	8.1%

Sources: Per capita personal income and personal income are for Caldwell County and is provided by the U.S. Bureau of Economic Analysis.
Population is for the City of Lenoir and provided by the U.S. Census. Unemployment rate is for the City of Lenoir and provided by the N.C. Employment Security Commission

* Indicates not available

Table 14
City of Lenoir, North Carolina
Principal Employers
Current Year and Ten Years Ago
(unaudited)

Employer	2012		2002	
	Range of Employees	Rank	Range of Employees	Rank
Caldwell County Schools	1,000+	1		
Merchants Distributors	1,000+	2		
Bernhardt Furniture Co., Inc.	500-999	3	1,000+	2
Caldwell Memorial Hospital	500-999	4	500-999	4
Caldwell Community College and Tech Institute	500-999	5		
Wal-Mart Associates, Inc.	500-999	6		
Caldwell County	500-999	7	500-999	5
Universal Mental Health Services	500-999	8		
Broyhill Furniture Industries, Inc.	500-999	9	1,000+	1
Thomasville Furniture Industries, Inc.	250-499	10		
Fairfield Chair Co.	250-499	11	250-499	10
City of Lenoir	250-499	12		
Kincaid Furniture Co., Inc.	250-499	13	1,000+	3
Lowe's Home Centers	250-499	14		
Rpm Wood Finishes Group	250-499	15		
Greer Laboratories	100-249	16		
Avery Dennison	100-249	17		
Vantage Foods	100-249	18		
Meridian Automotive Systems (Magna)	100-249	19	250-499	7
Bemis Manufacturing	100-249	20		
Homecare Management Corp.			250-499	6
Sealed Air Corporation			250-499	8
Nacco Materials Handling Group, Inc.			250-499	9

Source: Employment Security Commission of NC

Note:

Employment data is only available in ranges.

Data for 2002 is only available for top ten employers.

Table 16
City of Lenoir, North Carolina
Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years
(unaudited)

	Full-time-Equivalent Employees as of June 30				
	2003	2004	2005	2006	2007
General Government					
Administrative	12.0	11.0	12.0	10.0	12.5
Building Maintenance	5.0	4.0	4.0	5.0	5.0
Engineering	2.0	3.0	3.0	3.0	3.0
Cemeteries	3.0	3.0	3.0		1.0
Vehicle Services	6.0	5.5	4.0	4.0	4.0
Public Safety					
Police	74.5	77.0	75.0	70.5	73.0
Fire	62.0	62.0	63.0	60.0	60.0
Transportation					
Streets	15.0	18.0	13.0	15.0	12.0
Environmental Protection					
Sanitation	15.0	13.0	11.0	12.0	13.0
Economic and Physical Development					
Downtown District		1.5	2.0	2.0	2.0
Planning	3.0	3.0	3.0	3.0	4.0
Culture and Recreation					
Centers and Parks	7.5	10.5	10.0	9.0	14.0
Aquatic and Fitness Center	13.0	14.5	15.0	17.0	18.5
Landscaping	6.0	9.0	7.0	6.5	6.0
Water and Sewer Utility					
Bernhardt Water Treatment Plant	9.0	8.5	9.0	8.0	9.0
Water Distribution	13.0	19.5	18.0	17.0	15.0
Water Resources					
Wastewater Collection	5.0	7.0	6.0	6.0	6.0
Wastewater Pretreatment	3.0	3.0	3.0	3.0	3.0
Gunpowder and Lower Creek Wastewater Treatment Plants	11.0	11.0	10.0	11.0	11.0
Total	265.0	282.0	271.0	262.0	272.0

	Full-time-Equivalent Employees as of June 30				
	2008	2009	2010	2011	2012
General Government					
Administrative	10.5	14.0	13.0	14.5	15.5
Building Maintenance	5.0	6.0	6.0	6.0	6.0
Engineering	3.0	3.0	2.0	2.0	2.0
Cemeteries	1.0	1.0	1.0	1.0	1.0
Vehicle Services	4.0	4.0	4.0	4.0	4.0
Public Safety					
Police	78.0	76.0	76.0	77.5	77.0
Fire	63.0	65.0	65.0	66.0	66.0
Transportation					
Streets	13.0	14.5	14.5	14.5	14.5
Environmental Protection					
Sanitation	11.5	12.5	12.5	13.6	12.5
Economic and Physical Development					
Downtown District	2.0	2.0	2.0	2.0	2.0
Planning	4.0	5.0	6.0	5.0	6.0
Culture and Recreation					
Centers and Parks	31.0	29.0	28.0	27.5	25.0
Aquatic and Fitness Center	22.0	22.5	21.0	22.0	22.0
Landscaping	8.0	6.5	6.5	7.5	9.5
Water and Sewer Utility					
Bernhardt Water Treatment Plant	9.0	9.0	9.0	9.0	9.0
Water Distribution	17.0	13.0	14.0	14.0	14.0
Water Resources					
Wastewater Collection	6.0	6.0	5.0	7.0	7.0
Wastewater Pretreatment	3.0	3.0	3.0	3.0	3.0
Gunpowder and Lower Creek Wastewater Treatment Plants	11.0	11.0	11.0	11.0	11.0
Total	302.0	309.0	305.5	312.0	310.5

Table 16
City of Lenoir, North Carolina
Operating Indicators by Function/Program
Last Ten Fiscal Years
(unaudited)

Date of Incorporation: 1851
Form of Government: Council and Manager
Area in Square Miles: 19.1

Program/Function	Fiscal Year				
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Police					
Physical arrests	2,524	1,546	3,492	1,878	2,099
Incident reports	2,816	2,220	1,471	2,242	2,087
Parking violations	1,815	2,577	2,169	1,768	1,484
Citations issued	2,955	3,269	4,057	4,432	3,850
Fire					
Calls answered	1,854	1,879	1,927	2,406	2,599
Inspections	454	413	509	422	490
Sanitation					
Refuse collected (tons per day)	28.40	*	*	48.68	45.71
Streets					
Street resurfacing (miles)	3.00	0.00	2.75	2.75	1.00
Parks and Recreation					
Aquatic/Fitness memberships	*	*	*	540	1,085
Aquatic/Fitness admissions	*	*	*	*	612
Youth sports participants	582	588	556	366	320
Adult sports participants	328	417	245	203	320
Water system					
New connections	97	39	99	78	58
Water main breaks	30	81	34	52	43
Number of utility customers	8,884	9,138	9,478	9,544	9,647
Daily avg consumption in million gallons	6.2	6.2	6.2	6.3	6.4
Wastewater system					
Number of utility customers	7,237	7,489	7,819	7,851	8,324
Daily avg treatment in million gallons	3.576	3.28	3.28	2.92	3.41

Program/Function	Fiscal Year				
	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Police					
Physical arrests	1,842	1,861	1,918	1,935	2,179
Incident reports	2,168	2,136	2,221	2,051	1,946
Parking violations	1,442	1,029	858	883	349
Citations issued	2,837	2,052	2,548	2,571	2,846
Fire					
Calls answered	2,417	2,414	2,588	2,563	2,431
Inspections	379	311	405	311	297
Sanitation					
Refuse collected (tons per day)	34.77	27.58	22.92	27.26	25.93
Streets					
Street resurfacing (miles)	1.50	1.36	0.75	0.75	0.00
Parks and Recreation					
Aquatic/Fitness memberships	506	743	1,353	1,053	1,906
Aquatic/Fitness admissions	7,369	7,440	9,046	11,552	11,640
Youth sports participants	1008	1040	1034	1045	1070
Adult sports participants	395	558	324	288	285
Water system					
New connections	39	35	25	30	25
Water main breaks	43	38	17	28	35
Number of utility customers	9,702	9,743	9,670	9,673	9,583
Daily avg consumption in million gallons	6.2	5.8	5.6	6.2	7.2
Wastewater system					
Number of utility customers	8,403	8,463	8,320	8,209	8,110
Daily avg treatment in million gallons	3.41	3.82	4.25	3.43	3.14

Sources: Various City departments
* indicates not available

Table 17
City of Lenoir, North Carolina
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years
(unaudited)

Program/Function	Fiscal Year				
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Police					
Stations	1	1	1	1	1
Substations	5	5	5	5	5
Patrol units	72	68	38	59	52
Fire					
Stations	2	2	2	2	2
Sanitation					
Collection trucks	6	6	6	6	6
Streets					
Miles of paved streets	107.41	110.68	110.52	110.66	110.79
Miles of unpaved streets	3.11	3.06	3.02	3.02	2.59
Street lights	2,384	2,556	2,496	2,461	2,545
Parks and Recreation					
Community centers	3	3	3	3	4
Parks	2	2	2	2	4
Swimming pools	2	2	2	2	2
Tennis courts	12	12	8	8	8
Baseball/softball diamonds	6	6	6	8	10
Soccer fields	11	11	11	11	11
Miles of greenway	0	0	2	4.38	7.20
Water system					
Miles of water lines	108.82	109.25	207.8	207.8	207.8
Fire hydrants	987	991	991	991	992
Storage capacity (millions of gallons)	13.4	13.4	13.4	13.4	13.4
Maximum daily capacity (millions of gallons)	12	12	12	12	12
Treatment Plants	1	1	1	1	1
Wastewater system					
Miles of sewage lines	175.72	175.72	175.79	196.07	205.07
Miles of storm sewers	20	21	25	20	20
Maximum daily capacity (millions of gallons)	8	8	8	8	8
Treatment Plants	2	2	2	2	2
Program/Function	Fiscal Year				
	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Police					
Stations	1	1	1	1	1
Substations	5	5	5	5	5
Patrol units	52	52	52	52	52
Fire					
Stations	2	2	2	2	2
Sanitation					
Collection trucks	6	6	7	7	7
Streets					
Miles of paved streets	120.52	121.55	121.55	121.55	121.55
Miles of unpaved streets	2.64	2.64	2.64	2.64	2.64
Street lights	2,556	2,587	2,575	2,577	2,576
Parks and Recreation					
Community centers	4	4	4	4	4
Parks	4	4	4	4	4
Swimming pools	2	2	2	2	2
Tennis courts	8	8	8	8	8
Baseball/softball diamonds	10	10	10	10	10
Soccer fields	12	12	12	12	12
Miles of greenway	7.80	8.00	8.00	10.00	10.00
Water system					
Miles of water lines	208.0	219.4	219.4	219.4	219.4
Fire hydrants	992	1,070	1,070	1,070	1,070
Storage capacity (millions of gallons)	13.4	13.4	13.4	13.4	13.4
Maximum daily capacity (millions of gallons)	12	12	12	12	12
Treatment Plants	1	1	1	1	1
Wastewater system					
Miles of sewage lines	205.07	215.11	215.11	215.11	215.11
Miles of storm sewers	20	20	20	20	20
Maximum daily capacity (millions of gallons)	8	8	8	8	8
Treatment Plants	2	2	2	2	2

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Report On Internal Control Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of
Financial Statements Performed In Accordance With
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council
City of Lenoir, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregated remaining fund information of the City of Lenoir, North Carolina, as of and for the year ended June 30, 2012, which collectively comprises the City of Lenoir's basic financial statements dated August 24, 2012. We did not audit the financial statements of the City of Lenoir ABC Board. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and our opinion, insofar as it relates to the amounts included for the City of Lenoir ABC Board, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. The financial statements of the City of Lenoir ABC Board were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

Management of the City of Lenoir is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Lenoir's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lenoir's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Lenoir's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

To the Honorable Mayor and
Members of the City Council
City of Lenoir, North Carolina

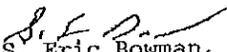
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as 2012-1 and 2012-2 that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lenoir's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we did not express such an opinion. The results of our tests disclosed no instances of noncompliance and other matters that are required to be reported under Government Auditing Standards.

The City of Lenoir's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Lenoir's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of the City Council, and Federal and State awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specific parties.


S. Eric Bowman, P.A.
Certified Public Accountant

Morganton, North Carolina
August 24, 2012

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

403 South Green Street
P.O. Box 1476
Morganton, NC 28680-1476
Telephone (828) 438-1065
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Report On Compliance With Requirements Applicable
To Its Major Federal Program And Internal Control
Over Compliance In Accordance With OMB Circular A-133
and the State Single Audit Implementation Act

To the Honorable Mayor and
Members of the City Council of the
City of Lenoir, North Carolina

Compliance

We have audited the City of Lenoir, North Carolina, compliance with the types of compliance requirements described in the (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on its major federal program for the year ended June 30, 2012. The City of Lenoir's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Lenoir's management. Our responsibility is to express an opinion on the City of Lenoir's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Lenoir's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Lenoir's compliance with those requirements.

In our opinion, the City of Lenoir complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

To the Honorable Mayor and
Members of the City Council
City of Lenoir, North Carolina

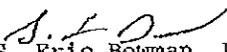
Internal Control Over Compliance

The management of the City of Lenoir is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Lenoir's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of the City of Lenoir's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


S. Eric Bowman, P.A.
Certified Public Accountant

Morganton, North Carolina
August 24, 2012

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

403 South Green Street
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Report On Compliance With Requirements Applicable To
Each of Its Major State Programs And Internal Control
Over Compliance In Accordance With Applicable Sections of
OMB Circular A-133 and the State Single Audit Implementation Act

To the Honorable Mayor and
Members of the City Council of the
City of Lenoir, North Carolina

Compliance

We have audited the compliance of the City of Lenoir, North Carolina, with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2012. The City of Lenoir's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs are the responsibility of the City of Lenoir's management. Our responsibility is to express an opinion on the City of Lenoir's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, applicable sections of OMB Circular A-133 as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of Lenoir's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Lenoir's compliance with those requirements.

In our opinion, the City of Lenoir complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2012.

To the Honorable Mayor and
Members of the City Council
City of Lenoir, North Carolina

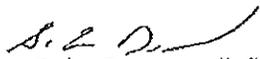
Internal Control Over Compliance

The management of the City of Lenoir is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the City of Lenoir's internal control over compliance with requirements that could have a direct and material effect on a major State program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for expressing an opinion on the effectiveness of the City of Lenoir's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of the City Council, and Federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specific parties.


S. Eric Bowman, P.A.
Certified Public Accountant

Morganton, North Carolina
August 24, 2012

CITY OF LENOIR, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Section I. Summary of Auditor's Results

Dollar threshold used to distinguish between
Type A and Type B Programs \$300 000

Auditee qualified as low-risk auditee? X yes no

State Awards

Internal control over major State programs:

* Material weakness(es) identified? yes X no

* Significant deficiencies identified
that are not considered to be
material weaknesses yes X none reported

Type of auditor's report issued on compliance
for major State programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with the State
Single Audit Implementation Act yes X no

Identification of major State programs:

Program Name

Powell Bill Program

Clean Water Partners

Section II.

Findings Related to the Audit of the Basic
Financial Statements of City of Lenoir:

Internal Controls Over Financial Reporting

2012-1

Condition: The City does not incorporate an internal audit function (person).

Criteria: Due to the complexity and diverse type of financial transactions an internal audit function is needed.

Effect: Internal controls are less effective without an internal audit function.

Cause: Due to the size of the municipality it has not been considered cost effective.

Recommendation: Hire an additional employee familiar with governmental accounting transactions to provide this service.

Management Response: It is not economically feasible to hire additional staff at this time.

2012-1

Condition: The City overexpended several departments in the General Fund and Enterprise Fund totaling \$60 271 and \$53 980 respectively.

Criteria: All Local Governments are to adopt a balanced budget and make necessary amendments to the original budget as conditions dictate.

Effect: Funds were expended out of departments before the appropriate budget amendments were made.

Cause: Auditor reclassifications and unforeseen accounts payable.

Recommendation: The City should not expend any funds unless there is adequate amounts in the particular department budget.

Management Response: The City agrees with this finding.

CITY OF LENOIR, NORTH CAROLINA

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2012

Finding: 2012-1

- A. Name of Contact Person: Danny Gilbert, Finance Officer
- B. Corrective Action: It is not economically feasible to hire additional staff at this time.
- C. Proposed Completion Date: N/A

Finding: 2012-2

- A. Name of Contact Person: Danny Gilbert, Finance Officer
- B. Corrective Action: The City will continue to amend the budget as conditions warrant.
- C. Proposed Completion Date: The Board will implement the above as soon as possible.

CITY OF LENOIR

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2011

All audit findings for the prior year June 30, 2011 have been corrected with the exception of hiring an internal auditor. This is not deemed practical at the present time.

City of Lenoir, North Carolina

Schedule of Federal and State Awards
For the Year Ended June 30, 2012
(Schedule 18, Page 1)

Grantor Pass-Through Grantor Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
Federal Grants:						
Cash Programs:						
U.S. Department of Housing and Urban Development Direct Program:						
Community Development Block Grant	14.218		\$ 141,905	\$	\$	\$ 141,905
Passed Through the N.C. Department of Commerce: HOME Investments Partnership Program:						
Unifour HOME Consortium	14.239	M-09-DC-57-0208	352,000			352,000
Unifour HOME Consortium	14.239	M-10-DC-37-0208	529,784			529,784
Unifour HOME Consortium	14.239	M-11-DC-37-0208	522,409			522,409
Subtotal Unifour HOME Consortium			1,404,193			1,404,193
Total U.S. Department of Housing and Urban Development			1,546,098			1,546,098
Department of Homeland Security Passed Through N.C. Department of Crime Control and Public Safety:						
Emergency Assistance	97.036	2008-FR-366	59,575			59,575
Emergency Assistance	97.036	2010-FR-566	10,013		4,526	10,013
Emergency Assistance	97.036	2011-FO-333	\$6,002			90,528
Total Department of Homeland Security			155,588		4,526	160,114

City of Lenoir, North Carolina

Schedule of Federal and State Awards
For the Year Ended June 30, 2012
(Schedule 18, Page 2)

Grantor Pass-Through Grantor Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
U.S. Department of Energy Passed Through the N.C. Department of Commerce: Energy Efficiency Community Block Grant (ARRA)	31.128		50,891			50,891
U.S. Department of Transportation Passed Through the N. C. Department of Transportation: Governor's Highway Safety Program Street Improvements-Fairview	20.600 20.205	PT-11-03 B-5011	3,166 144,655		36,166	3,166 180,821
Total U.S. Department of Transportation			147,821		36,166	183,987
U.S. Environmental Protection Agency Passed Through the N.C. Department of Environment and Natural Resources: Drinking Water Revolving Loan Assistance	66.468	DEH 1065	7,800			7,800
Total Federal Cash Awards			\$ 1,908,208	\$	\$ 40,692	\$ 1,948,900

City of Lenoir, North Carolina

Schedule of Federal and State Awards
For the Year Ended June 30, 2012
(Schedule 18, Page 5)

Grantor Pass-Through Grantor Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
State Awards:						
Cash Programs						
<u>N.C. Department of Transportation</u> Powell Bill			\$	\$ 560,254	\$	\$ 560,254
<u>N.C. Department of Public Instruction</u> Intervention/Prevention Program				\$ 88,066		\$ 88,066
<u>N.C. Department of Health and Wellness Trust</u> Fund Commission Fit Community				\$ 30,000		\$ 30,000
<u>N.C. Department of Commerce</u> Clean Water Partners Building Reuse and Restoration Total N.C. Department of Commerce				\$ 500,000 175,000 675,000		\$ 500,000 175,000 675,000
<u>N.C. Department of Parks and Recreation</u> Part				\$ 54,271	\$ 54,271	\$ 108,542
Total State Cash Awards				\$ 1,407,591	\$ 54,271	\$ 1,461,862
Total Federal and State Awards			\$ 1,908,208	\$ 1,407,591	\$ 94,963	\$ 3,410,762

Note 1 -- Basis of Presentation:

The accompanying schedule of Federal and State awards includes the Federal and State grant activity of the City of Lenoir and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.